FINANCIAL TIMES

Ryzhkov flies Fiat in talks to Uzbekistan on joint as death toll venture with fears mount

Nikolai Ryzhkov, Soviet Prime Minister, flew to the Fergana region of Uzbekistan with reports suggesting a spread in ethnic violence in which at least 100 people are feared killed. Page 2

Boeings grounded The UK Civil Aviation Authority ordered the immediate grounding pending safety checks of all 12 Boeing 737-400 aircraft flown by British carriers following two recent engine

Namibians return More than 200 Namibian refugees returned to their home-land in the first airlift of thousands of exiles returning for independence elections in the Sonth African-ruled territory.

Exports inquiry West German criminal investigators searched the home of a former federal official in connection with alleged illegal

Sudan talks fail Peace talks to end Sudan'a sixyear-old civil war ended without agreement but the Sudan Peoples' Liberation Army and

export of components for a bal-listic missile system in Iraq.

the Government said they would meet again next month. Sanctions rejected The European Community turned down a request from the hlack African frontline

states to impose new economic sanctions on South Africa. Lonrho cleared Lonrho, international conglom-erate, has been cleared of contempt of the House of Lords.

Rafsanjani voted in The Tranian Parliament voted 230 to 1 to re-elect Ali Akbar Hasbemi Rafsanjani as its speaker. Iran's main opposition group said Ahmad Khomeini radical son of the Ayatollah Khomeini, may contest August's Presidential election.

Somb kills 7

A bomb ripped through the waiting hall of New Delhi railway station killing seven people and injuring about 50. Police blamed militant Sikh separatists for the blast.

Refugees walk out About 200 Vietnamese boat people stormed out of a Hong Kong refugee camp, claiming that they had been persecuted by north Vietnamese refugees. Indo-China exodus, Page 4; Refugees, Page 22

Poisoning outbreak Britain's food industry and Government were faced with another scare over food hygiene after an outbreak of botulism poisoning in Lancashire, north west England.

Belgian miners clash More than 30 people were injured when about 1,000 miners protesting against the closure of Belgium's last two coal mines clashed with police in

the town of Hasselt. Civil rights rulings

The US supreme court ruled bama could challenge an affir-mative action plan, and that any suits alleging civil rights violations must be brought when the policy begins, not when the plaintiff is affected.

Soviet Union

group, is negotiating e joint venture with the Soviet Union to produce up to 300,000 small cars a year. It hopes to reach agreement with Moscow by the end of the year. Page 24

OIL PRICES fell to a fourmonth low as traders pondered uncertainty about production quotas among the Organisation

Oil price

of Petroleum Exporting Countries. Brent Blend, the North Sea marker crude, was being traded on the European spot market at \$16.80%. Page 36

STATOIL, Norwegian state oil company, has agreed to sell 9.6 per cent of the Snorre oil and gas field in the North Sea

WESTLAND of the UK and McDonnell Douglas Helicopter of the US, hig helicopter manufacturers, have joined forces to bid for an order worth about £1bn (\$1.52bn) for light attack and anti-tank helicopters for the British army. Page 8

SAATCHI & SAATCHI, one of the world's largest advertis-ing and consultancy groups, is reviewing the future of its management consultancy arm, including the option of selling the husiness. Page 25

LOCKHEED of the US signed a long term co-operation agree-ment with Aerospatiale, French state-owned group, in an apparent effort to strengthen its access to the European market before 1992.

MATRA. France's largest of vately owned defence and electronics group, announced a deal to market European missiles in the United States through McDonnell-Douglas,

SOUTH KOREA has started contingency planning to deal with the possible closure of Daewoo Shipbuilding and Heavy Machinery, subsidiary of Daewoo, one of the country largest companies. Page 4

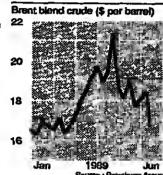
SUMITOMO CHEMICAL, big Japanese company, is seeking joint-venture partners in West-ern Europe to help market its crop-protection compounds.

a takeover offer unacceptable to them, particularly one financed by "excessive debt."

CONTROL DATA, struggling US computer hardware and service group, has sold its drive musiness for \$450m to its Californian competitor, Seagate Technology. Page 27

FRANCE has voted for new legislation to prevent compa-nies from defending themselves against takeover

FIAT, Italian automotive



to Idemitsn Kosan of Japan. The stake is worth np to NKr1.5bn (\$207m). Page 27

US aviation giant.

NORTHWEST AIRLINES pilots say they might strike if NWA, the US carrier's parent, accepts

AKER, Norwegian offshore and construction concern, reported pre-tax profit after financial items of NKr55m (\$7.6m) for the first four months of 1989, compared with a NKr38m loss in the same

period of 1988. Page 27 through crossed shareholdings between parent and affiliate companies. Page 27

Business Summary Brazil stock exchanges closed as speculator fails to settle debt

By John Barham in Sao Paulo

BRAZIL'S stock exchanges, which have a market capitalisation of nearly \$60bn, were closed yesterday after one of the country's leading speculators failed on Friday to make an \$8m payment in settlement for stock purchases.

The one-day closure of the Brazilian markets, which may be extended, is a blow to foreign investors who have about \$200m invested there through special Brazil funds. "Emerging" stock markets in Third World countries have become a fashionabls – and incrative – investment in the

past few years, with Brazil his ability to pay. Showing the strongest performance in 1988 when its two throughout the ma markets soared by 131 per cent in dollar terms.

The troubled speculator, Mr

Naji Robert Nahas, is thought by some in the Brazilian market to have been responsible for about half the turnover of the country's stock and futures markets in recent days.

He was hit by the rising cost of financing his stock and futures position, estimated at between \$560m and \$640m. Brokers believe he faces e loss of at least \$160m and some doubt

His problems sowed panic throughout the market, giving rise to rumours that his diffi-culties could lead to problems for a number of prominent Sao Paulo and Rio de Janeiro brokerage firms.

On Friday, about \$3bn was wiped off Brazil's two main stock markets - about 5 per cent of their value - when the Sao Paulo stock exchange's Ibovespa composite index fell 5.4 per cent to 11,387 while, in Rio de Janeiro, the IBV index lost 4.5 per cent to 376,530. It had emerged on Friday

tbat Mr Nahas had bought stock worth \$31m through yarious brokerages. But e cheque for \$8.8m in local currency issued to a brokerage house

was returned unpaid.

However, a Rio stock exchange official said the exchange had honoured the transaction despite the lack of Behind Mr Nahas's problems

were a campaign by the Sao Paulo exchange to discourage speculation and a rise in central bank interest rates, which was aimed at cooling financial markets in the face of a rapid

rise in inflation. The country's inflation rate is expected to hit a record 1,000 per cent this Mr Nahas, born in Egypt of

Lebanese parents and a naturalised Brazilian, is one of Brazil's largest investors. He captivated the merket with elaborate strategies involving speculative instruments new to the country's stock, options and futures mar-

Mr Nahas is believed to have won financing from at least one major international bank and from one of Brazil's most

powerful businessmen as well as galaxy of brokerage firms for his latest venture.

Few traders were crowing over Mr Nahas's defeat yester-day. Not only does he owe a lot of people a lot of money, but the fallout from the affair has thrown a pall over the entire market, which is already tainted with accusations of

unbridled speculation.
The Government has repeated that it will not provide any assistance for traders. who spent all day yesterda; fielding calls from fearful cli-

Lawson suggests UK could take full EMS role next year

By Simon Holberton and Philip Stephens in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday said that the country should consider committing itself to full participation of the European Monetary System

after July 1990.

Mr Lawson, who did not rule out taking sterling into ths EMS's exchange rate mechanism before that date, told a parliamentary committee that by then both France and Italy would have lifted all remaining exchange controls.

The Chancellor said he did not believe now was the time to join, because Britain's inflation rate was too high, but nev-ertheless listed in detail the potential benefits of eventual membership.
Speaking earlier during the

Speaking earner during the European election campaign, Mr Lawson had sought to shrug off suggestions that he was locked in a struggle over economic strategy — including Britain's entry into the EMS — with Mrs. Margaret Thatcher with Mrs Margaret Thatcher, the Prime Minister.

By Janet Bush in New York

yesterday was fuelled by con-tinued demand from overseas investors for US bonds and by

comments from several central bank officials saying that inter-

vention against the US currency was useless in current

The US currency had surged

in the Far East overnight, tak-

ing the Japanese yen to a 22-

mouth low of 149.45 to the dol-

lar despite rumoured interven-

The dollar's surge also con-

tributed to a sharp fall in ster-ling which traded almost three

cents weaker in hectic Euro-

tion by the Bank of Japan.

market conditions.

A POWERFUL dollar rally pean trading.

Mr Lawson said: "On basic economic policy there is absolutely no difference hetween the Prime Minister and myself. Both were agreed that the key priority was to hring down the inflation rate.

He indicated, however, that

he would assert forcefully his own role in key economic pol-icy issues, and added pointedly that an eventual decision to join would he for the Govern-ment as a whole to take. Sidestepping questions on his own political future, he said the Government would have to weigh both the political and economic implications of such a move.

Mrs Thatcher's public posi-tion on the EMS is that Britain will join "when the time is right", but she is known to be extremely sceptical that full membership would be possible before the general election due hy 1992. Both tha Chancellor and Sir Geoffrey Howe, the Foreign Secretary, believe a

Bonds demand fuels the dollar

There was concern about apparent divisions between Mr Nigel Lawson, the UK Chancel-lor, and his Prime Minister on

economic policy. There was also some speculation of another rise in British base

lending rates.

The dollar dipped from its

earlier highs in New York, partly on persistent but uncon-

firmed reports of intervention

by the US Federal Reserve and the central bank of Canada,

but remained higher than its pre-weekend levels.

At the close in New York, it

was quoted at Y148.60 and Page 24

necessary.

Mr Lawson confronted directly attacks on the EMS made by Mrs Thatcher's personal economic adviser, Sir Alan Walters.

The exchange rate mechanism had helped deliver low inflation and exchange rate stability to its participants, he said. These would accrue to Britain if it joined, as full memhership would help to underpin monetary discipline in the economy.
"I believe the EMS has pro-

vided considerable discipline" to member governments' eco-nomic policies, he said, point-ing to the sharp falls in their respective inflation rates since 1983 and their ability to cut interest rates once inflation was on a downward path. The Chancellor also indi-cated that Britain would have less influence within the Com-

munity's deliberations over the Delors report, on European

DM2.0200 compared with an

DM2.0200 compared with an earlier high of DM2.0270.
Demand for dollars has been extremely strong since last Friday's report of a 0.9 per cent gain in US producer prices in May which convinced foreign exchange dealers that the dollar would continue to be supported by high US interest rates.

US Treasury bonds were

nuoted a full point higher in

Far Fast markets overnight as

investors continued to pour

money into the market Continued on Page 24

Currencies, Page 44; BIS talks,

or failed to indicate that "we

were going in in a reasonable period of time".

In a direct rebuttal of arguments put by Sir Alan, Mr Lawson also noted that membership of the EMS did not require all participants to have the same interest rates, althoughover time, once infla-tion had been brought under control, interest rates could

Mr Lawson underlined the Government's opposition to economic and monetary union as outlined by the Delors com-

He said that the Government would not agree to amending the Treaty of Roms to give effect to the later stages of the Delors plan, Treaty changes would be necessary for stages two and three of the Delor blueprint for union which envisage a progressive move towards fixed exchange rates, control over national hudgets a common European currency and a European central bank.

against the D-Mark (DM per \$)

2.1

1.9

against Sterling (\$ per £)

\$ per troy ounce in London

400

360 1989

Dollar

Gold

380

Governor seeks HK assurances

By Robin Pauley, Asia Editor, in London

HONG KONG'S Governor, Sir David Wilson, yesterday made his strongest public plea so far for the UK Government to grant right of entry to the 3.25m Hong Kong people enti-tled to British passports. But be admitted that Mrs Margaret Thatcher, the Prime Minister, had alresdy ruled this out. Sir Devid also told a committee of Britain's House of Com-mons that if the worst came to worst in Hong Kong then Britain would bave a "very

strong moral responsibility" to the 5,5m inhabitants. The col-ony is due to be transferred to Chinese sovereignty in 1997.
"I have no doubt that if it was possible to give a right of entry to all who held British passports that would have a

most immense beneficial effect in Hong Kong and that it would not lead to the arrival in Britain of anything like 3.25m people. What people are looking for is assurance that if something went badly wrong they would have a place to go. It is not that they want to go

Recent events in Pcking were watched with "total hor-ror" in Hong Kong. "We are still living in the aftermath of those appalling events and the inevitable effect it has had on Hong Kong. It has made people question arrangements about

the future."
He said that aithough Britain had a special responsi-bility because the problem con-cerned people bolding UK passports it was a problem that could be shared internation-

ally, particularly with Europe, He implied that suggestions of more flexibility in Britain's very tight immigration rules and talk about which categories might be viewed favoura-hly was not a fair or satisfac-tory approach.

He was more diffident on increased calls for democracy. Although there was increased pressure in Hong Kong for a speed up of political develop-ment and the pace of introduc-tion of democracy he coun-

Pursuit of China's activists continues

By Robert Thomson in Peking

Party's pursuit of democracy while the country's most prominent pro-democracy spokesman, Fang Lizhi the astrophysiclst, remained in the US embassy in Peking despite strong Chinese criticism of the US Government.

Chinese police and military officials released a list of prodemocracy organisations said to be illegal and warned that their members would be

THE CHINESE Communist severely punished if they did not give themselves up. Meanwhile, dozens more arrested youths were shown on Chinese television last night. A nist, Song Reoqiong, 85, yesterday urged security forces to "make further efforts" in "sup-pressing rebellion."

China and the US contioued their stand-off over the refuge given to Professor Fang, 53 and bis wife. Professor Li Continued on Page 24

Gorbachev seeks speedy pact on reducing conventional arms

By David Marsh in Bonn

PRESIDENT Mikhail Gorbachev, the Soviet leader, last night welcomed the disar-mament initiative inveiled two weeks ago by President George Bush and voiced hopes for a speedy agreement on reducing troops and conventional arsenals in Romne

But Mr Gorbachev threatened to highlight differences within Nato by calling firmly for elimination of all nuclear weapons from Europe. He said this was necessary for a "Euro-pean psace order." The US, Britain and France argue that snch a move would greatly undermine Western defences against the Red Army.

The goal of eventually scrap-ping European nuclear weapons is part of stated Soviet policy. But Mr Gorbachev's firm teration of the objective on the first day of his state visit to the West Germany may be interpreted as an attempt to drive a wedge through Nato. Mr Gorbachev, underlining that his reforms in the Soviet Union were part of "growing

world democratisation," made his two-pronged statement on arms control at a dinner given by Chancellor Helmut Kohl. The Soviet leader also made a powerful plea for improving international co-operation on environmental problems. After a first day of talks, which both sides described as warm and triendly, the troo will also. friendly, the two will sign about a dozen agreements.

Mr Gorbachev said Moscow was "extending and deepening" its relationship with West Germany, but underlined that he did not want the Federal Republic to loosen its Western links. Mr Kohl, in his dinner h, affirmed that the Federal Republic's Nato and European Community ties were not "for disposition." But he said Bonn wanted to extend "the dialogue of trust" with Moscow and build on German-Russian relations going back centuries.
Mr Gorbachev said President Bush's proposal to speed up Vienna talks on conventional disarmament showed the

West's willingness to accept

Soviet ideas on reducing mili tary concentration in Europe. Although the US proposals were not completely free of "aims and methods inherited from the period of confronta-tion," the Soviet leader welcomed Nato moves to cut its own forces and not simply ask for Warsaw Pact reductions. The Soviet leader entered the simmering dispute between West Germany and Nato's nuclear weapons states by affirming, "the question of the complete elimination of tactical nuclear systems must not be wiped from the agenda. We are convinced there is no reason to postpone negotiations over tactical nuclear weapons."

The West German Govern-ment called in April for early talks on reducing short-range nuclear arsenals. It accepted the Nato compromise last month under which short range negotiations would start only once a Vienna conventional arms accord was on the way to being implemented. Bonn under-excited, Page 2

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Indonesia donors come to talk aid but seek trade



With the country's economy picking up end President Suharto's Government under pressure to create many donors expect a sharp reovery in project-related business.

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MARKETS

STERLING Johannesburg ISE Gold Indiex 1600 1500 1400 DOLLAR 1300 Apr 1989 Jun FFr6.8460 (6.8150) **MITERIST RATES** SFr1.7465 (1.748)

Federal Funds 93 % (91₈)
3-mth Treasury Bills: PFrs.8800 (6.7850) Bond: 10831 Y148.80 (146.05) yield: 8.12% (8.14)

GOLD York latest Comex August \$366.9 (362.0) ciose 1453% (1416)

London

Y148.60 (146.65)

SFr1.7550 (1.7400)

STOCK INDICES New York close Dow Jones Ind. Av. New York close \$1.5295 (1.5470) London: \$1,5255 (1,5650) 2,518.66 (+5.24) SAP Comp OM/3.0900 (3.1125) 326.69 (-0.48) FF(10.4650 (10.5500) SF(2.6755 (2.7050) Y227.00 (same) FT-SE 100 2,138.3 (-3.8) World: 140.87 (Fri) Tokyo

Nikkei Ave

Frankfurt 1.782.0 (-1.6) Brent 15-day (Argus) \$16.805 (-0.745) (July) vest Tex Crude \$19.475 (-0.5) (July)

33,398.01 (-241.97)

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EUROPEAN NEWS

W German illegal exports inquiry

By David Marsh in Bonn WEST GERMAN criminal investigators bave aearched the home of a former federal official in connection with inquiries over alleged illegal export of components for a bal-listic missile system in Iraq. The search, confirmed yes-

terday by the state prosecutors office in Bielefeld, was mounted at the home of Mr Gunter Welzien, formerly a senior official at the Bundes-amt für Wirtschaft (BAW), the Government's office at Esch-born, near Frankfurt, which vets high technology sales

The Bielefeld prosecutor's office said the search was made as part of investigations German companies of export guidelines on sales of weap-

onry abroad.

These inquiries up to now have centred on Gildemeister, an engineering company suspected of involvement in an iraqi project kriown as Saad 16, based on a "technology centre" near the town of Mosul.

prosecutors have also involved a subsidiary, Transtechnica, of aerospaca group Messer-schmitt-Bölkow-Blohm

A report in Der Spiegel mag-azine at the weekend, con-firmed by the Bielefeld office yesterday, said that the state prosecutors had extended their activities to the affairs of the BAW itself.

Although the BAW and the Bonn Economics Ministry yes-terday tried to play down the allegations, this is the first time that formal suspicious have been raised of countyance hy the Eschborn based licensing bureau. The Bonn Government,

under pressure from the US Administration to tighten up loopholes in export controls, has long been trying to improve efficiency at the BAW. Following the affair of illicit West German industrial deliveries for a poison gas factory in Iraq, the Economics Ministry at the beginning of the year brought out a package of new measures to improve export The investigations by state control procedures.

Revolution party draws world leaders to Paris

By George Graham in Paris

FRANCE WILL welcome the leaders of 20 developing nations, as well as those of the six other members of the Group of Seven industrial nations, to celebrate the bicentenary of the French Revolu-tion in Paris next month.

The 27 heads of state and government, with the possible addition of some late acceptances, are expected to take part in a commemoration of the declaration of human rights and in the inauguration of the new Bastille Opera before leaving the G7 members to get on with their annual economic snmmlt on July

Diplomats in Paris say the co-ordination of the two meet-ings has not been easy. Some industrial nations have been unwilling to have their regular G7 meeting linked too closely to development questions, and the leaders of some African, Asian and Latin American countries have been equally reluctant to appear the poor

relations.

Officials at the Elysée Palace said yesterday that development, and environmental ques-tions, would in fact be the two most important themes of the

Besides monitoring progress on cancelling or severely reducing the debt of the very poorest developing nations, as agreed at last year's summit in Toronto, French officials hope the summit will reach agreement on the strategy to adopt on the debt problems of inter-mediate income nations, on

At the same time, President François Mitterrand wants to put forward measures on the environmental front which will also help Third World coun-

which France, the US and Japan have all put forward

These could include an international agreement to help Bangladesh build dykes to stop flooding, as well as work on reafforestation in Latin America and on halting the spread of desert in northern Africa. President Mitterrand has

proposed to extend the recently agreed restrictions on emissions of chlorofluorocarbon gasea, which damage the earth's ozone layer, to cover carbon dioxide emissions, as well as calling for funding from the industrial nations to help Third World countries comply with the same emission

GATWICK-SCANDINAVIA

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Former official in | Swedish Government's popularity plummets

By Robert Taylor in Stockholm

SWEDEN'S MINORITY Social Democratic Government is suffering a sudden, serious decline in popularity as a result of its handling of the country's economic problems. A aurvey in the national newspaper Dagens Nyheter by the Temos poll organisation revealed that support for the Social Democrats has fallen by

percentage points in only a month, to 38 per cent.

This is the biggest fall in electoral popularity ever auffered by the party in a single month, and it is the first time the Social Democrats have dropped below 40 per cent in

the past five years.

The popularity of Mr Ingvar Carlsson, the Prime Minister, has also declined significantly. According to a poll from the SIFO organisation only 30 per cent of the voters have great confidence in him – half the figure of three years ago. There is little doubt that the

Government's troubles are directly related to the lengthy political crisis caused by the need to introduce economic austerity measures to dampen down the economy, which ended only a fortnight ago. The final package of compulsory savings and higher taxes

emerged as a tactical compro-mise between the Social Democrats and the opposition Centre Party and it had little resemblance to the initial proposals from Mr Klell-Olof Feldt, the Finance Minister.

But the main opposition par-ties are not benefiting from the Government's difficulties. Both opinion polls this week suggest that the right-wing Moderates have only around 19 per cent support and tha Liherals between 12 and 12.5 per cent.
The Centre Party has neither gained nor lost support through its economic deal with

the government with a poll rat-

ing of between 11.5 per cent and 12.2 per cent.

It is the Greens who seem to be the main heneficiaries of voter discontent. Their support is now running at between 0.6 per cent and 8.5 per cent, while the Communists have also grown stronger in the SIFO poll with a 7.7 per cent rating. The storm clouds are also gatharing over the Swedish economy. Economic prognoses in the rest formicht seconds

in the past fortnight suggest a 7 per cent inflation rate this year and next, 2.5 points above the OECD average. Wage increases are running at around 9 per cent and the

mounting balance of payments deficit could exceed SKr20bn (£1.9bn).

Obsarvers are concerned that if the Government cannot cool down the economy over the next 12 months, it will be very difficult to carry through the radical tax reform pro-

ramme for 1991. Mr Feldt made it clear in this week's economic debate in Parliament that sweeping cuts in income tax in January 1991 under his tax plan would dangerously fuel cost pressures in the economy if the present aus-terity package, due to end in December 1990, did not work.

US and Europe may open up chip research efforts

By Terry Dodsworth, Industrial Editor

THE US and Western European governments may allow foreign companies to enter their flagship semiconductor research programmes if reciprocal access arrangements can be made on each side of

the Atlantic. American and European trade representatives have already opened talks on the issue, according to officials in Brussels. These discussions are expected to gain additional momentum once the formal launch of Joint European Sub-micron Silicon (Jessi), the \$4bn European research project, is made later this month.

Way cleared for Ethnic violence eases as EC trade talks with Moscow

By David Buchan in Luxembourg

THE European Commission has been given a formal man-date by EC foreign ministers to start trade negotiations with

the Soviet Union.
One of the EC's goals is a trade accord under which quo-tas on Soviet imports would be gradually scrapped in return for more information on, and access to, the Soviet market for Western businessmen.

The other aim is economic co-operation in a dozen sectors. including energy, transport,

including energy, transport, environment, nuclear safety, science and technology.

The EC reachad trade accords with Hungary and Czechoslovakia last year, and negotiations with Poland and Bulgaria are already in train.

EC ministers have indicated to the Commission they would like speedy negotiations, particularly with Warsaw and Moscow. But a deal with the Soviet Union is not expected before the end of this year.

ON 3 NEW

Art. 0900

Arz 0855

posed by both the Americans and the Japanese. Government funds are being The issue of foreign membership raises sticky problems for the organisers of the two research initiatives, which are being backed by large amounts of public money. Both Jessi, which will run

Ryzhkov visits Fergana

for eight years, and the \$1bn Sematech programme in the US were simed at strengthen-ing national, locally-based semiconductor manufacturers in the countries concerned. US companies supported Sematech as a means of fighting back against the Japanese chip man-ufacturing industry, while the Europeans backed Jessi as a response to the challenge

THE SOVIET Prime Minister, Mr Nikolai Ryzhkov, yesterday

inspected damage caused by riots in the Fergana region of Uzbekistan as state television

reported uneasy calm after 10 days of ethnic violence in

which at least 100 people died, Reuter reports from Moscow. The local Meshketian minor-

ity, target of Uzbek attacks, was able to bury its dead for the first time, the television report said. Today was the first day when not a single

ahot was registered in the

whole Fergana region," the report said, adding that the sit-

uation had still not returned to

normal.

injected into hoth the pro-grammes on the grounds that semiconductors are a strategic national resource, important for both defence and general industrial development. For this reason, foreign companies are being excluded from the projects so that funds will flow directly to domestically-owned

The problem with this approach is that in both America and Europe there are several large-scale producars owned by overseas companies

capital late on Sunday.

A gang also razed the village of Gorsky, in the west of the Fergana region, "again spilling blood", while 400 more Uzbeks, armed with automatic rifles, tried to storm a camp housing Modelstoine in the marketing and the storm a camp housing

Meskhetians in the mountains nearby, Tass said. Tass said that beside the 100

peopla killed at least 1,000 had been injured. A Moslem in Moscow, in contact with activ-

ist groups in Uzbekistan, said the death toll ran to several

hundred and he believed more

than 3,000 people had been

Mr Rythkov was accommen-ied by Mr Viktor Chebrikov, a fellow Polithuro member and former KGB chief who cur-rently heads a commission on

injured.

legal affairs.

but in every other way part of the national industry.

In the US, for example, Phil-ips and SGS-Thomson, two of the leading European compa-nica, bave substantial operations, while virtually all the big US manufacturers are present in Europe. SGS has made no secret of the fact that it would like to join Sematech. it would like to join Sematech, and International Business Machines, the US computer company which is also the world's largest producer of memory chips, is believed to have approached Jessi.

The European industry appears broadly in favour of

allowing foreign companies to join Jessi, as long as European producers can achieve reciprocal arrangements in the US.

An additional question is the position of the hig Japanese chip manufacturing groups.

Japanese companies are now increasingly establishing production units in the US and Western Europe, and might therefore apply for memberakin of the the research proship of the two research programmes. If this were to occur, however, the US and European companies believe that they could use the reciprocity argument to exclude Japanese groups from membership.



Admiral William Crowe (right), chairman of the US Joint Chiefs of stall, and his Soviet counterpart Gen Mikhail Moiseyer (left) yesterday signed an accord aimed at preventing accidental conflict. The US admiral said it was proof of the superpowers' progress towards a "more sestainable larger relationship"

From reports in the official Soviet press, it appears the worst of the recent violence The television said plans to took place when 400 Uzbeks tried to attack a camp in the mountains west of Kokand on Sunday to which many Mes-khetians had fied. evacuate 17,000 Meshketian ref-ugees to central Russia had been alowed by a shortage of aircraft. Earlier, the official Tass news agency said the fighting, which broke out in the city of

Turks expect 25,000 Bulgarian refugees

Fergana, had spilled over into the neighbouring Namangan region, with up to 2,000 people involved in riots in its regional

TENTS FOR 25,000 people bances in early May.
were being hastily pitched in The unrest began when pouring rain and hall yester-day near Turkish towns close tance to its four-year camto the Bulgarian border, to accommodate Bulgarian-Turk-ish deportees who have been expelled by the Bulgarian

authorities.

Just over 1,000 refugees
arrived yesterday, pushing above 10,000 the number of people forced out since distar-

Sofia cracked down on resis-tance to its four-year cam-paign to force members of its Moslem minority to renounce their Turkish cultural iden-

ter of State, said. He also said Bulgaria was testing Turkey's patience by sending across ref-nges in ever-larger batches. The Bulgarian Turks are being expelled by bus and train through border crossings at Rapikule and Derikoy. Others have travelled to Turkey through Greece, Yugoslavia

and Austria. Bulgaria says it is responding to an open-door policy announced by Ankara in mid-May for all who wished to leave Bulgaria. However, the Turkish Government says tha refugees have been summarily expelled with scant respect for their human or property

rights.

It maintains that the deportees are allowed to carry only the barest essentials, with no safeguards for homes and possessions left behind.

Palermo keeps it in the family

Mafia allegations dominate the poll in Sicily, writes Alan Friedman

OWN in the dusty hustings of Palermo the most "European" feature of the European election campaign is perhaps the city's Bourbonic legacy of high tension, stark social divisions and the continuing tradition of "changing everything in order to change absolutely nothing".

For the 700,000 inhabitants of the Sicilian capital this campaign has little to do with electing representatives to the Strashourg parliament; Palermo will soon be receiving nearly \$20n of European Community aid for the restoration of its historic centre, but hardly any politician even speaks of Europe.

The first and foremost election issue remains, plainly and in the strain in the st

the first and foremost elec-tion issue remains, plainly and simply, the Mafia and its alleged ties to politicians. It is an issue that has deeply divided the Christian Democrat party in Palermo, which consists of two opposing factions, the reform minded anti-Mafia campaigners who now lead the city government and the tradi-tionalists whose own faction has been discredited - but not wsakened - by the prosecution of a former Christian Dem-

ocrat mayor on mafia charges. This distinctly local issue is set against the backdrop of renewed Mafia violence, the inability of law enforcement officials to co-ordinate their efforts against new Mafia clans that are regrouping and earning billions of dollars of revenues from the heroin trade, and the Mslia'a continuing influence over the Sicilian economy and politics.

The rivalry inside the Christian Democratic party, which accounts for about 40 per cent



of the votes in Palermo, is both a local battle and a proxy war at the national political level. At the local level, the battle sets Mayor Leoluca Orlando, the young and reformist anti-Malia Christian Democrat against the mysterious Mr Salvo Lima, the 61-year-old kingmaker and symbol of the unreconstructed wing of the Christian Democrats. Mr Christian Democrats. Mr Orlando has been supported by Prime Minister Ciriaco De Mita while Mr Lima is backed by Mr Glulio Andreotti, the foreign minister whose own faction opposes Mr De Mita inside the

party.

Mr Lima, a Euro-MP since 1979, has been accused by political opponents on numerous occasions of being associated with the Mafia. He was mentioned 162 times in the Rome assistance of the same assistance of the same assistance of the same assistance of the same opposite the s parliament's anti-mafia committee report, and he is known in Palermo as "Andreotti's pro-consul". In 1984 Mr Lima issued a rebuttal to the various dossiers that were circulating about him; the strongest argu-ment he made was that despite being investigated on several occasions he had never actu-

ally been convicted as a mafi-oso. Mr Lima declined to be interviewed.

interviewed.

The problem for Mayor Orlando and his anti-mafia political allies is that despite governing Palermo since 1965 they have depended heavily on the political protection of Mr De Mita, Mr Andreotti's enemy. Mr De Mita is now so enfeebled that Orlando aupporters fear that Mr Andreotti will be able to help the Lima faction to recover control of the Sicilian capital.

the Sicilian capital.

Mr Andreotti has come to Sicily to campaign with Mr Lima, who is number two on the regional Euro-election list for Sicily and Sardinia. Mayor Orlando says that he came Orlando says that he came under heavy pressure from Prime Minister De Mita to stand for Strasbourg (along with Mr Lima) on the Christian Democrat ticket, but refused "because I do not wish to be associated with Lima in any

way".
Padre Bartolomeo Sorge, a
Jesuit political thinker who is
on Mr Orlando's side, says the Euro-election campaign in Pal-ermo is fundamentally about whether the reform and modernisation policies of Mr

Oriando will survive.
"The decapitation of De Mita at the national level is a grave problem here. As soon as De Mita lost his post as party sec-retary Orlando was weakened," notes Padre Sorge who fears that without external support from Mr De Mita in Rome the anti-mafia experiment in Pal-ermo may not last much lon-

Mr Lima, who sits on the national executive of the Christian Democratic party, has con-

sistently attacked the De Mita sistently attacked the De Mita policy of rinnovamento, or renewal of the party, and has accused Mr Orlando of merely making a name for himself on the back of anti-mafla rhetoric. In an interview in 1987 Mr Lima said: "I am perhaps part of the evil here in Sicily, but at least I get things done." Mr least 1 get things done." Mr
Orlando replies that Mr Lima
and Mr Andreotti are "obstacles to the modernisation of
our party" and that Mr Lima
"is the symbol of an archaic
sort of politics, of cliques and
class".

Aside from the Christian
Aside from the Christian
Democrat internal squabble
the other issue in Palermo concerns the role of the Socialist
Party of former Prime Minister
Bettino Craxi. Mr Craxi and the Socialists detest Mr Orlando for another reason: the Orlando city government is an unusual coalition of parties that includes Communists, but not Socialists. Mr Orlando and the Communists say that the Mafia is now shifting some of its electoral support to the Socialists; the Socialists reply that this is nonsense and replies to git at the social state. refuse to sit at the same table with Mr Orlando.

Mayor Orlando meanwhile carries on with his own anti-Mafia agenda, admitting that in Palermo "no one seems to care about the European

But will he survive politically much beyond the Euroalection in order to carry on
his work? The 41-year-old
mayor of Palermo sighs deeply,
shrugs with uncertainty and
sums up the state of politics in
the capital of the Mafia quite
bluntly: "I don't know," he
says, "I just don't know."

Hungarians end a long silence on Imre Nagy By Leslie Collt

THE PEOPLE remain silent a long time but they do not buget," said a commentary in the Hungarian government newspaper, Magyar Hirlap, on next Friday's Day of Mourning for the victims of the 1956

In an unprecedented ceremony and a nationwide minute of silence on Heroes Square in Budapest, Hungary will pay tribute to Inne Nagy, Prima Minister during the uprising his associates, and hundreds of others who were also executed Mr Nagy and his aides were the victims of a "show trial", as Hungary's new Foreign Min-ister, Mr Gyula Horn, acknowl-

edged recently.
Proceedings have been launched to have them fully rehabilitated. After the memorial ceremony, the numerical remains of Mr Nagy and his associates will be reducied in the presence of their families most of whom live in the West and who have returned to Hungary for the first time since 1956. The belated tribute comes

only a few months after the Communist Party's historical commission ruled that the unheaval was a "genuine unris-ing" which only later became a

ing" which only later became a counter-revolution.

The party realises it must come clean about the events of 1956 if it is ever to gain the confidence of a population still deeply sceptical about political reforms. "The people are now presenting the bill," Magyar Hirlap said. They could not forget the show trials of the 1950s and the suppression of the unrising.

and the suppression of the uprising.

A remarkable new documentary film, entitled The Right to Asylum — The Abduction of the Imre Nagy Gronp, is playing to hushed audiences in the transfer and incommentation. Hungarian cinemas and is being aired on television. The film consists of interviews with imprisoned survivors of 1956 and the relatives of those executed. They describe how Mr Nagy and his closest associates were given asylum in the Yugoslav embassy in Budapest after the Soviet inva-sion on November 4 1956. Mr Nagy's Moscow-backed successor, Mr Janos Kadar, they noted, had promised the former Prime Minister and his aides safe-conduct from the

embasy to their homes.

But the bus carrying them was hijacked by Hungarian security officials and taken to an army camp.

The film leaves open the question whether Mr Kadar, who was ousted from his the Central Committee last month, was duped by the Soviet Union, which arranged

the hijacking.
The abducted men were taken to Romania and kept at a party rest home at Snagov near Bucharest. Mr Nagy and his four associates were even-tually returned to Hungary, tried in secrecy and sentenced to death in June 1958. Their families, who ware still in Romania, learned of the execu-tions from the newspapers. tions from the newspapers.

De Mita will be asked to try again

President Francesco Cossiga of Italy will ask ask the country's outgoing Prime Minister, Mr Ciriaco De Mita, to try to form a new government, Reuter reports. Mr De Mita, whose five-party coalition resigned on May 19, is thought unlikely to be able to make any progress until after next Sunday's European Parliament elections. pean Parliament elections.
President Cossiga's announcement came a day after Mr Giovanni Spadolini, the Senate president, abandoned his efforts to mediate in the crisis.

Polish PM drops out of second poll

Poland's Prime Minister, Mr Mieczysław Rakowski, yesterday dropped out of a second round of voting hastily arranged after 33 top Communist and allied candidates falled to win election to Parlisment last week, Renter reports from Warsaw. A television presenter read out a brief statement by Mr Rakowski saying he would respect the will of the voters. The official PAP news agency said 66 new candidates would contest the 33 seats.

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BIS urges Washington to cut budget deficit to avert world economic 'crash landing'

By Peter Norman, Economics Correspondent

USING unprecedently strong language, the Bank for Interna-tional Settlements called on the US to cut its budget deficit, to head off any possible risk of a "crash landing" in the world

ungarian.

In its latest annual report. the BIS said an exceptional sit-uation exists "in which a major shift in fiscal policy in the largest economy would unambiguously and simultaneously serve the interests of both domestic and external adjust-ment in the greater part of the

The BIS warned that the persistent global current account imbalances — typified by the massive US current account deficit and the Japanese and West German surpluses – har-boured the risks of "a crash landing or severe exchange rate misalignments, and dan-

countries had neglected the imbalances, with the so-called adjustment process having faltered since mid-1988. "All round, there has been a policy of sustaining rather than reducing the present account. reducing the current account imbalances. Adjustment has not been a pressing issue," it

The BIS has called frequently in the past for the US to cut its budget deficit. But the demand in this year's annual report is notable for its directness: at one point the bank says the lack of progress on the issue by the US is

"deplorable".

Significantly, the BIS also absolves the main surplus Germany - of the need to act on the fiscal front, "Symmetrical action is no longer required," the BIS said.

"A substantial unilateral reduction of demonstrated."

fiscal action could give the adjustment process the required stimulus.

The BIS noted that domestic demand in Japan grew by 7.75 per cent last year, outpacing output growth by 2 percentage

In West Germany, capacity ntilisation in manufacturing had already exceeded the peak of the early 1970s, when inflationary pressures were very strong it added. The report also donhted

whether growing Japanese for-eign direct investment abroad would help cut Japan's current account surplus significantly from last year's \$80bn. Foreign invastment generally was accompanied by accelerated exports of semi-manufactured and capital goods from the investing to the host country. Moreover, Japanese investment in the US was concentrated in real estate and trad-

Looking ahead, the bank said forecasts generally pointed to a further small reduction in the US current account deficit this year from last year's \$135bn, "followed by a progressively increasing defi-

The BIS made clear that, in its view, fiscal restraint in the US was the "only rational response" to dilemmas posed by the persistent US current account deficit.

The bank questioned the idea that a substantially lower dollar would be the way to cut the US current deficit. The advocates of dollar deprecia-tion had failed to demonstrate that such action would boost

exports, it said. Without capacity reserves in the US economy, dollar depre-ciation could push US inflation rates higher, possibly setting in train a vicious circle that

correspondingly little impact would nullify any medium or on trade flows. would nullify any medium or long-term effects of a lower dollar on the current account bal-

> A lower dollar would require cut in the interest rate differentials that have supported the US currency and that could be

A relaxation of US monetary policy might be counter-pro-ductive to the adjustment process itself and could also jeopardise US efforts to dafuse inflationary expectations. On the other hand, interest rate increases in West Germany and Japan could rein in domestic demand in the surplus countries and expose the world to the risk of a synchronised

cyclical downturn. The bank said the dilemma rould be less scute if more evidence were forthcoming of a weakening of demand in the US or if foreign exchange mar-kets revised their buillsh views

ger for financial market stabil-ity and for free trade". It said the big industrial reduction of domestic demand in the United States through ing infrastructure, with

Cumulative changes in external positions in selected developing countries, 1978-87 (in \$bn)

INVESTMENT DECISIONS?

Change in net

the growing debt burdens of US companies, brought about in part by the growth of leveraged buy-outs, carry potential risks for the US banking

The novelty and the complexity of the financial issues

assets at book value - has

At the same time. US leverage remains relatively low compared with other countries more un a par with the UK and Canada than with the higher level in the other Group of Seven countries – Japan, Ger-many, Italy and France. It finds little correlation between equity, and leverage but sug-

35.1

11,0 6.9 0.9

Liabilities to BIS reporting banks at end-1988

cests that structural features in high leverage countries, largely to do with investor/company relationships, may help to explain why their companies are able to support

It cites the simultaneous holding of debt and equity claims, the smaller degree fragmentation of equity and debt holdings, and government policy. In Germany and Japan, banks have traditionally held significant equity stakes in companies.

Japanese banks hold about one-fifth of all shares; German banks hold close to 10 per cent but control more through the

system of proxy voting
Their infinence is further increased by the shareholdings of non-financial companies themselves: one third of the total stock in Japan and two-

fifths in Germany.
"Not only do these arrangements facilitate the monitoring of performance and the control of the borrowers' policies, they also tend to reduce the credit institutions' incentive to force hankruptcy and liquidation at times of financial stress. They therefore provide an environ-ment which is more favourable Similarly, concentration of equity and debt reduces the

incentives to force bankruptcy. In Italy, France and Japan, government policy in particu-lar the reliance of long-term credit institutions - has permitted the underwriting of losses. "There is little evidence,"

concludes the BIS report, "that the increase in US corporate indebtedness has been accompanied by a convergence towards those characteristics of high-leverage countries that would point towards greater debt capacity. Despite some influences which moderate risk, for highly-leveraged transactions in the US, vulnerability to an economic downturn is a valid concern.

Conditions poor for EC union

CONDITIONS are far from suitable for a rapid move towards economic and mone tary union in the European Community, the Bank for International Settlements

in its latest annual report, the Basic-based central bank-ers' bank said inflation rates in EC countries differ widely and may diverge further. Countries vary considerably in the consolidation of their

udgetary positions. Current account imbalances continued to worsen last year, even after making allowance for that part of the West Ger-

nor that part of the West Ger-man surplus that has been cansed by the Enropean investment boom.

The BIS questioned whether the goods and labour market in the EC is sufficiently integrated to allow corrent account imbalances to be reduced to sustainable levels vithout rate changes. It said that continuing inter-

est rate differentials between countries belonging to the exchange rate mechanism of the European Monetary Sys-tem suggest that monetary union for these countries would not be an easy step

despite a relatively long period of exchange rate stability. Two months ago a commit-tee of EC central bankers and outside experts chaired by Mr Jacques Delors, the EC Com-mission president, published a report outlining three stages for the EC to approach eco-nomic and monetary union.

The Delors report deliberately avoided laying down a precise timetable. But it suggested that the first stage should start on July 1 next year when an EC directive for the full liberalisation of capital movements comes into

stability attacked yen depreciated by 4 per cent and 9 per ceot respectively in 1988 and the first four months

Over-emphasis on

exchange rate

THE BANK for International

Settlements has sharply critic-

ised the world's leading indus-

rial countries for excessive

attachment to the stability of

nominal exchange rates when

co-ordinating their economic

bank claims that in the period

since the February 1987 Louvre

Accord aimed at stabilising

currencies, the pendulum of

policy has "swung too far in the direction of pursuing nomi-nal exchange rate stability." "Focusing on nominal

exchange rate stability at a time when differentials in

inflation and productivity growth persist at best opens

changes in the wrong direc-tioo, to the eroslon of competi-

tiveness in some countries and to the aggravation of external imbalances," it said.

"At worst it leads to an irre-

sistible appreciation of the

'wrong' currencies with high interest rates and to even

worse effects on the imbal-

The BIS is an influential institution, acting as a bank

and research centre for the world's central banks.

Its report reflects the con

cern felt by many central banks, including the West Ger-man Bundesbank, that policy

co-ordination by the Group of Seven countries has focused

too much on nominal exchange

rate stability over the past two

The bank noted that curren-

cies with high nominal interest

rates gained strongly in value

After adjusting currency val-nes for movements in unit

labour costs, the D-Mark and

e door to real exchange rate

in lts annual report, the

of this year. At the same time, the dollar appreciated by 3 per cent in real terms, while the Canadian dollar and British pound advanced by 17 per cent and 6 per cent respectively.

All the sppreciating curren-cies "experienced relatively high, and in some cases accelerating, inflation rates and large or even widening current account deficits," the BIS said. "Unless these currencies were originally undervalued, this would suggest thet their exchange rates were being pushed away from their longer term equilibrium level by

excessive capital flows. In its report, the bank said that attempts to peg exchange rates at a time of wide international interest rate and infla-tion differentials had caused capital flows either to over- or under-finance current account imbalances such as those that exist between the US, Japan and West Germany.

lt suggested more flexibility in official exchange rate arrangements. "The official nominal exchange rate targets allowance for the possibility of their gradual adjustment in line with differentials." inflation

However, the BIS rejected the idea of an official "hands-off" policy towards the

exchange markets. in a world of global financial nive alternative to co-operative exchange rate management backed up with an appropriate degree of international policy

Advertisement

Warning on continued growth of leverage buy-outs By Stephen Fidler, Euromarkets Correspondent, in Basis

THE BANK for International Settlements has warned that

involved and the fact that they have not as yet been tested in nave not as yet been tested in unfavourable economic condi-tions call for close prudential supervision." the Bank's annual report said. Supervisors has already stepped up moni-toring of these issues, it noted. Leverage in the US — the

Costa Rica

Uruguey

increased considerably since the early 1980s. "Even if its present level does not differ markedly from that reached in the early 1970s, the recent upward trend has been particularly steep and shows little sign of abating," it said.

'Gradual approach' to markets advocated

By Stephen Fidler A MORE gradual approach to liberalising London's financial market might have been

market might have been advantageous, the BIS annual report suggests.

Discussing the retrenchment of the Eondon market since the crash, the Bank says that losses incurred by intermediaties because of Big Bang could eventually result in fewer market makers than would have been the case if would have been the case if liberalisation had been gradual. "This danger is exacer-bated by the possibility that the authorities may initially underestimate the costs to practitioners of maintaining certain standards of transper-ency and liquidity," the report

says. Contrasting the Big Bang with Japan's gradual approach to liberalisation, it suggests Big Bang could have some advantages, however. "It allows market forces to determine the number and composi-tion of intermediaries in each market and may enable the authorities to focus more clearly on establishing high standards for the functioning of markets."

of markets."

• Japanese banks and their affiliates accounted for 90 per cent of the growth in international banking business in 1988, compared with less than 50 per cent when the market grew more quickly in 1987.

Bright spots for Africa

By Peter Norman

MALAWI and Kenya provide two bright spots in an other-wise bleak African economy, according to the latest annual report of the Bank for Interna-tional Settlements

Despite having few natural resources, income per head of \$165 and a debt-to-export ratio of 400 per cent, Malawi has grown at 3 per cent per year since 1982 and cut its public sector deficit to 7 per cent from 17 per cent of gross domestic product in less than a decade. Kenya, helped by prudent demand management, has suf-fered only n 0.4 per cent fall in

annual income per head despite population growth of 4.9 per cent per year since 1962. The BIS said that Kenya's competitiveness has improved while inflation has been brought down to 8 per cent under stable fiscal and tighter

monetary policies.
The BIS said that serious problems remain in sub-Saha-ran Africa despite an acceleration in economic growth to 2.8 per cent last year from 1.3 per cent in 1987.

The countries are extremely exposed to external shocks because they depend on a narrow range of export commodi-ties that are subject to large price fluctuations. FINLAND ON THE WORLD STAGE

Rauma-Repola:

A crushing victory in global competition

By Victor Thorne, Helsinki

Dramatic changes in the business emphasis 🗫 within Finland's Rauma-Repola Group following significant divestments and major ... acquisitions have placed the company precisely where it sought to be in the market charts across a reduced spectrum of operations: within the top three in the world, preferably in the top spot.

and shipbuilding to forestry Rauma-Repola more than equipment and products, doubled its turnover in this packaging and services con-specialist sector to \$310m. cern has seen its group net Nestling among the top

and added a further \$200m which claimed 167 lives.

pany's industrial valve shipbuilding side.
business stood still. With Tauno Matomāki, Chief

In the process, this engi- America's Jamesbury Corp. neering, marine technology to form Neles-Jamesbury,

sales figures soar from three in its field worldwide, \$2,036m in 1987, through Neles-Jamesbury is superbgeted near-\$3bn for 1989, any UK proposal that its the dark shipbuilding pic- and plastic carrier bags revolving credit facility

ment business has under-subsea valves close rapidly the year with perhaps only gards it as a growth area, ments. gone similar expansion, to shut off gas discharge to minor overall losses in this with developments so far "A with the acquisition at the the platform and prevent a sector." end of 1987 of the European billocaust. What is more, The pulp and paper distrategic targets it has set status in specialist areas in activities of the Nordberg while ordinary ball valves vision now accounts for 6% for the division. which we'd already proved Group, including Bergeaud cannot endure the sea-bed less of the group's net sales Tauno Matomäki: "For ourselves. We were very S.A. of France and Nord-conditions, these are de than in 1985, down to 20%. this first phase of pack- much a Finnish company

sion, along with Timber- of magazine paper, to boost tor, in France, Belgium the UK, and in the USA At the same time, the jack, has axpanded from a the machine's capacity and Portugal; but we must and Canada. deal has given Rauma-28% alice of net sales in from 150,000 to 230,000 first consolidate after the "Our m Repola, operating in this 1985 to account for about tonnes a year of SC gra- Teno acquisition before shifted, too. Over the same sector under the Nordberg 40% this year. Shipbuilding vure. Group name, worldwide and marine technology's Paper machine no.1 at position in the European sales by final market area leadership in stone crush-share was halved over the the mill had undergone plastic packaging market." drop from 35% of our total

the addition to its Neles Executive Officer Group last autumn of Rauma-Repola, adds a



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And the purchase in May of North Sea oil industry use ture: "While there were no and packaging films. over 95% of the shares of isolating valves on the gas new drilling rig orders in Timberjack Corporation of and oil pipelines rising 1988, so far this year there North America, making from the sea-bed to the have been two placed, and Rauma-Repola the world's drilling rigs. The increased we received one of them.

The packaging films.

The packaging and services division commands some 12% of the group's to-tal net sales, once again have

ers with a 15% market same period, shrinking to much the same treatment share.

12%, principally as a result last summer to increase its share.

Neither has the com- of a heavy downturn on the output of LWC grades from chanical woodworking distribution of a heavy downturn on the 35,000 to 180,000 tonnes a vision has shrunk from a creating from 5 to 15% and creating from

leading manufacturer of attention paid to safety in "We are closing one not accounting for the intions and divestments, market share, has doubled the catastrophe on the Pipselecting only the more fluence of Timberjack. Turhave shifted the emphasis the turnover of this division or Alpha rig last summer, profitable orders we should doubled and the increase Group, and concentrated manage to maintain the doubled, and the increase Group and concentrated In the event of an explo- improvement in our oper- for 1989 alone eatimated at our resources on what we The crushing equip-sion, the Neles-Jamesbury ating profit for 1989 to end 30%, Rauma-Repola re- do best," Matomaki com-

year at a design speed of 22% share of net sales in creasing from 5 to 15% and 1,200 metres per minute. 1985 to 16% in 1989, the slight rises in Western Eu-Playing the numbers wholesaling business of rope, in Finland itself and game once more, the group timber for builders' mer- in other Scandinavian holds the position of one of chants remains highly countries. the three major players in profitable and is regarded "Our consolidated net Europe in flexible pack- as an important part of sales for 1989 are expected

which was already leader sues and a modicum of in- we set for ourselves." on the European bulk con-ternational funding to tainer market with its pa- raise capital for the major

raised on the London mar-

"All the changes we

"A few years back, we very much in line with the set out to gain a leading berg (UK) Ltd, early this signed to stand up to the Nonetheless. Raumayear Nordberg's North deepsea elements over the Repola is investing in a concentrating on the Europroduction facilities based
American operation, rais- entire service life of an off- complete rebuild of its papean market nnly. We've bere. By 1990, that level
ing turnover from some shore oil or gas field.

per machine no.2 at the either acquired or founded will be more like 60%, with
\$30m in 1987 to an estimatAll told, RaumaRauma paper mill, one nf some minor companies a great deal of manufaced \$220m for the current Repola's engineering divithe world's leading makers within the EC in this secture in Sweden, France and

"Our markets have we're ready to expand our period, we have seen our

aging, with the merging in Rauma-Repola's portfolio. to reach around \$2.85 bil-1988 of Teno, Scandina- For the Rauma-Repola lion, almost three-quarters via's number one manufac- Group, it has been a careful of which will come from exturer of plastic films, with balancing operation of di- ports and overseas oper-W. Rosenlew Ltd, 75% vestment, bond issues with ations. All in all, we feel owned by Rauma-Repola, equity warrants, share is- we're achieving the goals

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property dealers in no rush to sell

Hong Kong's

Chinese leaders have resorted to the familiar tactic of inciting xenophobia, says Robert Thomson

has a habit of hlaming the outsider. Most of the "counter revolutionarles" arrested in Peking in the past few days are said to come from outside the capital and foreigners, in particular the US, are routinely accused of inciting the pro-democracy movement crushed just over e week ago.

Foreign journalists are harassed, with a BBC crew detained yesterday and several Western correspondents assaulted during the past week. The hard-line leadership has a special dislike of the Voice of America, which is condemned each day in tha official press and on state-run television.

the democracy campaign and the crackdown. Editorials in the People's Daily and the Peking Daily yesterday accused the network of "compiling lies and creating

Britain is also on the fringe of a diplomatic row with China over the arrest on Sunday at Shanghai airport of a Hong Kong man said to belong to an illegal organisation.
The Chinese leadership has

been angered by the Hong Kong criticism of its actions week. The hard-line leadership has a special dislike of the Voice of America, which is condemned each day in tha official press and on state-run television.

Chinese television news includes the reading of letters allegedly written by viewers outraged by the Voice of America's "lies and distortion" of the cultural reviews as a anti-foreigner frenzy during the cultural reviews an anti-foreigner frenzy during the cultural reviews. olution when the least contact with an outsider was evidence that an accused was, in the jargon of the time, a "capitalist

The refuge givan to the country's most prominent dissident, the astrophysicist Fang Lizhi, and his wife at the US embassy in Peking has prompted the party leadership to turn more attention to the "external threat" than internal

The US action is officially described as "interference in internal affairs" and coverage rouse the deep nationalism of the Chinese against alleged foreign influence of students.

When the party criticises "bourgeois liberalism", which is seen by the paramount leader, Deng Kiaoping, as the real cause of dissent, it is

ence. In recent years, that influence has been described as would not be influenced by the an "evil wind" and blamed for the rise of "spiritual pollution" and "unbealthy tendencies".

The elderly leaders now run-ning the country appear to be unmoved by the foreign condemnation of China. Despite bans on arm sales, threats of tougher sanctions and the strong criticism the party has continued unperturbed with its brutal purge.

A spokesman for the leader-ship, Yuan Mu, has warned for-eign countries not to take a "short-term" viaw of things and made clear that China

The lack of concern for the country's reputation is remarkable given the slow building of China's international stature in the past two decades and the attention given to cultivat-ing foreign confidence in the

Yuan Mu suggested that for-ign "loans and credits" were of no value if the party was not in control.

country's reliability as a trad-

ing partner and a place for

Diplomats say the foreign ministry has been isolated by the hard-line leadership, which

suspects that the ministry is too "liberal". Last night, in the first recog-

nition that trade and inves ment will be hit, the China Council for the Promotion of International Trade said the country was "willing to main-tain and expand economic and trade contacts with counter-

parts all over the world".

The statement alluded to "the current temporary difficulties" and suggested that "foreign businessmen would be far-sighted in considering cooperation with Chinese economic and trade organisanomic and trade organisa-

Kong's property market have virtually ground to a halt after the violent suppression of the Michael Marray on anxieties over the student protest movement in China. Both buyers and sellers are playing a waiting game as they assess how badly local confidence has been colony's prospects as a financial and business centre

sharm.

A fall in property prices is widely regarded as inevitable but potential sellers have been unwilling to drop their prices, preferring to hold on for a few weeks or rent out their properties. Agents report that investors on office buildings. investors on office buildings

TRANSACTIONS on Hong

investors on office buildings and other major acquisitions have also dried up.

"The sales market has gone at the moment," said Mr Paul Varty of agents Chesterton Petty. "People are saying let's hold and wait and see."

Mr Varty envisages a drop of 15 to 20 per cent in residential prices although according to Mr Raymond Ma, director at L and D Associates, there could be a slump of 30 per cent or more in the luxury sector. Mr Ma reports strong business in Ma reports strong business in the leasing division, as owners switch to letting out their properties as an interim

Aside from the selling of local stocks by overseas investors, international concern over Hong Kong's prospects has been underlined by a decision by Moody's credit by a decision by Moody's credit rating agency to review the "23" sovereign rating assigned to China and the "22" sovereign ceiling assigned to the long-term debt of Hong Kong corporations.

Should Moody's downgrade Hong Kong, it will not affect the Government which runs up large hudget surpluses and does not need to borrow money. Mr David Nendick, the

Ms Mastain and Ms Donaldson are convinced that with the political atmosphere in China changing rapidly, regu-lations will be altered and all Chinese enterprises will seek to bend rules in their favour in unpredictable ways. money. Mr David Nendick, the colony'a Secretary for Monetary Affairs, says the Government did not ask for the Moody'a rating and did not co-operate with the agency, Joint ventures are going to have more problems now than they had in the past," says Ms Mastain. This is in some way a keaping aacret vital information such as the size of the reserves in the exchange silver living for their company, because problems for joint ven-tures mean more business for

"It is a decision to review China's credit rating," Mr Nendick said of the Moody's move, rather than something aimed specifically at Hong

The mass transit railway corporation, which is the colony's biggest borrower and

regularly raises funds local-lyand in overseas markets, would be the most likely to suf-fer from a downgrade. We fer from a downgrade. We have almost finished our 1969 programme anyway." said Mr Roger Moss, finance director for the railway.

The local interbank market has settled down after pressure from last week's mass withdrawal of savings from banks within the Bank of China group.

group. This

This protast proved short-lived following appeals to the public not to damage Hong Kong's banking sector. Despitalosing large amounts of deposits the Bank of China appears to have weathered the storm.

to have weathered the storm. However, the group is required to report daily to Mr Anthony Nicolle, the colony's commissioner for banking.

In a clear attempt to stress that it is still business as usual in Hong Kong, the Bank of China yesterday substituted its own name for its merchant banking ambsidiary, China Development Finance, on the "tombstone" advertisement for "tombstone" advertisement for a HK\$470m loan (£382m) for the Universal Matchbox Toy manufacturing group, one of the few syndicated ionis arranged recently,

arranged recently.

The primary worry of local hanks and the many overseas institutions based in the colony relates to their substantial loans in China, often to Hong Kong-based companies with joint venture projects over the brader. border. Hotel projects in China are a

source of concern, given the cancellations of visits to China. Hong Kong hotels also report substantial cancellations from groups visiting both Hong

Kong and China.

According to Mr Douglas
King, general manager for marketing of the Hong Kong Tourist Association, the biggest fall-off is likely to be in visitors from Taiwan. There were 1.1m Taiwanese visitors to Hong Kong last year, a 209 per cent increase over 1987.

Three ANC

of terrorism

THREE white members of the African National Con-

gress - two South Africans

and a Briton – have been con-victed on several charges of terrorism after pleading guilty in the Pretoria regional court yesterday, Jim Jones reports from Namibia.

The three and an associate, who turned state witness, were arrested in May last year in Broederstroom to the west of

Broederstroom to the west of Johannesburg.

At the time of their arrest Mr Adriaan Vlok, Minister of Law and Order, alleged that the police had uncovered one of the largest arms caches ever found in the country in addition to powerful radio equipment and a Sam seven missile launcher.

launcher.

The two South Africans, Mr Damian de Lange and Mr Ian Robertson, were convicted on 11 charges while the Briton, Mrs Susan Donnely, was convicted on 10.

members

convicted

Entrepreneurs' hopes dim as their clients take fright

Steven Butler on a US business in Shanghai

S MARDI MASTAIN and Ms Robin Don-aldson have struggled for four years to keep a small business going in Shanghai, finally hitting pay-dirt last

Export Import of East Asia, which these two young Ameri-can women own jointly, oversees the manufacture of cloth-ing for big US retailers, including K mart, Lands End, Lord & Taylor and Saks Fifth Avenue. It also services visit-ing executive aircraft and offers consulting services to other foreign companies. Their speciality is advising

joint ventures how to dispose of wads of Chinese currency which they earn locally but cannot convert to foreign exchange, Johnson Wax, which has a \$124m (£78.5m) a year manufacturing operation in Shanghai, tried to buy them out last year to solve its own foreign currency problem. But the two women set what they admit was an unrealistically high price because they wanted to stay independent.

In the past two weeks, with the Chinese government seem-ing on the edge of collapse, with fighting on the streets of Peking and with Shanghai industry nearly closed down by transport disruptions, the

By lan Rodger in Tokyo

JAPAN'S official development

assistance (ODA) last year reached a record \$9.1bn, which

is 22.5 per cent higher than in ther previous year, according to Japanese Foreign Ministry

However, it still remained

However, it still remained second to that of the US which, according to preliminary projected figures would reach slightly less than \$9.8bn for 1988. The US development assistance excludes military aid. Official U.S. figures will be announced later this month.

Early this year, Japanese aid officials estimated that the country had surpassed the US last year as a donor. Now they predict that Japan will become

the largest donor this year. Jepan's aid is still relatively

low in terms of gross national product, advancing last year to 0.32 per ceot of Gross National Product (GNP) from 0.31 per

women's dream of building a successful business seemed about to collapse.

US clothing buyers cancelled orders in China because they could not be aure of timely delivery. Senior executives

China intends to continue to service its foreign debts, service its foreign debts. Chen Yuan, deputy governor of the People'a Bank of China, said yesterday, Stephen Fidler writes from Basle. Chen, in Basle for the meeting of the Bank for International Settlements, said there had been no short-term disruption of debt repayments despite the events in his country over the last two his country over the last two weeks. With foreign debts over \$30bn, China's ratio of debt service payments to receipts from abroad was

low at about 15 per cent.

scrapped visits to China during the high season of May and June and the prospect of a growing consultancy seemed dashed by dimmed hoped for naw foreign investment.

Now the deep pessimism of a few days ago is gone. Shanghal industry is producing again and Ms Mastain and Ms Donaldson managed to find alternate although higher priced financing for one cancelled

alised countries is about 0.35

Japanese aid has also been criticised because a large ele-ment of it is given on a tied

basis, thus providing guaran-teed export opportunities for

Japanese companies.

The Foreign Ministry has been making efforts to reduce the tied portion in recent years, but has not yet compiled statistics on this aspect for 1988. "We have been making efforts to exceed the companies of the compile of the

efforts to expand our grant pro-grammes, a senior ministry official said.

The proportion of Japan's aid that was disbursed through

bilateral grants jumped 30.9 per cent to \$2.9bn while bilat-

eral loans rose 16.1 per cent to \$3.5bn. Multilateral assistance

totalled \$2.7bn, up 22.9 per

like a high growth business has been badly hit. Their tronbles are unfortunately a good indication of why turnoil in China is likely to damage seriously China's foreign economic relations for more than a brief

The sensationalising of this horrible event in the media really scared our clients," says Ms Donaldson Faxed inquiries about what was going on about what was going on began to arrive soon after dem-onstrations started in Peking and they were pouring in after troops opened fire, along with cancelled orders.

"We can manage production here," says Ms Mastain, "The hig problem will be to convince clients to continue ordering

clients to continue ordering goods from China." One critical factor in clothing orders is being able to meet schedules. But with production in factories down for a week and with goods piling up on the docks after a brief closing of the port one test order now looks like being a month late

The do not expect another order from this new client. The question is whether regular customers will be scared away as well, especially when China was already seen as risky in-terms of delivery and quality.

Shanghal residents read a statement by President Bosh yesterday posted on the US consulate wall. The turmoil also appears to have fouled the Chinese financial system. The two women forwarded money for an order to the China National Export and Import Company but the Chinese company says that it has run out of cash and cannot send any to the factory. So the

The aircraft servicing busi-ness looks to be hit even more

factory has stopped work on a partially completed order, meaning another potentially

damaging delay.

Yet the real crunch, they believe, will come when com-panies start to question why they are in China at all, because rates of return on capi-tal are bad for almost every-one. When China seemed set

on a path of growth and reform, with political stability, this appeared a price to pay for entering a huge market. Now this rationale looks less per-suarive. "This is really going to be what hurts China," says Ms Donaldson.

They know about the troubles of joint ventures because, with their extensive experience dealing with Chinese organisadesing with Camesa organisa-tions, they are asked to salve-problems for much bigger com-panies, ranging from convert-ing currency to setting up a nationwide distribution system for refrigerated chemicals.

The way they see it, China is run by a set of vague regula-tions that are interpreted arbi-trarily and that often have to be here selfents.

Aid from Japan No moral refuge over Indo-China exodus William Dullforce sets the scene for a UN-sponsored conference on the 'boat people'

about Hong Kong's future, of refugees languishing in asy-Sir Geoffrey Howe, Britain's Sir Geoffrey Howe, Britain's Foreign Secretary, and Sir David Wilson, the Hong Rong Governor, will address the Geneva conference today. Sir Geoffrey's speech will be closely examined for signs of dissent from the proposed plan of action, but London is likely to sim at having the plan approved.

Even so, growth prospects for their small company bave become much more limited and they are already thinking

about ways to expand elsewhere, perhaps in Vietnam if a restoration of US-Vietnamese ties should make this possible.

approved.

The UK would then seek to have the steering committee provided for in the plan convened quickly, so that it could exploit alternative options, such as mandatory repairia-tion, left open in the plan.

A joint UK-Hong Kong team has already had two rounds of talks with Vietnamese Government officials about repatriation and Mr Geoffrey Barnes, Hong Kong'a Security Secretary, said last week that the colony would be pressing outside the conference for follow-up action "on a bilateral basis if necessary". basis if necessary".

The size, tenacity and complexity of the refugee problem in South East Asia are recognised in the preamble to the plan. More than 1.5m Indo-Chinese refugees, Laptisms as well as Vietnamese, have been resettled mostly in the industrial countries, under the programme adopted in 1979 after the best people had started their perilous voyages to freedom.

Since 1987 a surge in the flow of people leaving Vietnam has coincided with the applica-

Under the new plan, to which Vietnam has provision-ally subscribed, an expanded ally subscribed, an expanded information campaign inside Vietnam would discourage people from leaving clandestinely and the "orderly departure programme", which shoot lapsed in 1967, would be revived. This in practice covers only emigres seeking reunion with their families abroad.

A screening system would be operated under guidelinea agreed with UNECR in the countries of first asylum. Resettlement would be speeded up. UNECR has asked 21 government to account 27.000 minutes. up. UNHCR has asked 21 governments to accept 57,000 refugees who had reached the asylum countries before they started screening. The plan also outlines procedures for encouraging and implementing voluntary repairiation. The Hong Kong authorities, who want direct talks with Hand, are scentical.

are sceptical. So far the Victnamese Government has rejected the enforced return of its citizens — at least in public. Hong Kong officials believe Hanoi, desperate for foreign aid, would take them back, if it were "paid" in some way.

UNHCR says it could not be UNHCR says it could not be party to the return of refugees against their will. Hong Kong officials say the UN agency would not refuse to monitor the conditions under which returned refugees would live and work in their homeland; a separate international organisation could be set up to undertake the actual repatriation.

The ever-increasing army, Page 22



to return by force to a commuto return by force to a commu-tion tregime any of the boat people who have hraved pirates, rammings and the per-ils of the sea to flee their coun-

under a programme agreed with the UNHCR, which has

signs that the Israell initiative,

pied territories leading to a limited form of Palestinian self-rule, still held the possibil-

Mr Moshe Arens, the Israeli

foreign minister, said he was "convinced" that Egypt's Presi-dent Hosni Mabarak was doing

all he could to further the

search for peace and had done so at the recent Arab summit

ed on elections in the occu-

Israel keeps peace plan alive

ity of progress.

namese are living in appelling conditions on the barren island of Tai Ah Chau. An abandoned army air strip at Sekkong is being re-opened to house some 7,000 in tents flown in from the UK. So far only 10 per cent have been recognised as refu-

Growing resentment among the people of Hong Kong feeds on their awareness that the colony regularly repatriates illegal immigrants from China — an average of 58 a day were returned to the mainland in

Mr Boutros Ghali's visit,

coming so soon after Casa-

blanca, was a clear signal that, in fact, the door remains open. He said the Israeli plan needed amendment and clarification,

bnt had not reached an

impasse. He described his visit

as very positive.

A key difference remains
Israel's refusal to acknowledge

a role in the process for the PLO, somathing both Cairo and the local Palestinian lead-ers have repeatedly stressed.

Israeli Vice Premier Shimon Peres (left) embraces Boutros Ghali

32 per ceot of Gross National roduct (GNP) from 0.31 per ent. The average among industri Japanese loans to international institutions for development totalled \$2.71bn in 1988, np from \$2.21bn in 1987. Recruit report likely to end investigations

up 23% and set

to pass US sum

By Stefan Wagstyl in Tokyo

THE Japanese Ministry of Finance yesterday admitted that 11 politicians involved in the Recruit affair remained under suspicion of having committed criminal offences.

However, officials presenting their final report on the affair to the Diet (parliament) gave no hint that they intended to reopen the investigation into the shares scandal.

Two politicians were charged with taking bribes as a result

of the inquiry into the affair, hut there is wide public suspicion that other politicians were also guilty of wrongdoing. Altogether 13 politicians received cut-price shares in

Recruit Cosmos, an affiliate of

Recruit, the company at the centre of the affair which dis-tributed stock and money to influential people. Ministry officials indicated allegations against 11 out of the 13 were dropped after pros-ecutors concluded that the sus-

pects did not have the authority to favour Recruit or did not use their authority in return for bribes.

Under Japanese law it is a sufficient to show that a politician received financial favours - it must also be shown that the person receiv-ing the bribe did something in

return.

Mr Yasuchika Negoro, director general of the ministry's criminal affairs burean, told a committee of the Diet's lower house: "As reasons for the stock transfers were unclear charges of bribery could not be

Mr Negoro said the ministry would not publish a full report unless the Diet demanded one. This is unlikely given the ruling Liberal Democratic Party's involvement in the scandal. Mr Negoro said it was up to the Diet to detarmine who was politically and morally responsible for the affair.

A N INTERNATIONAL forum will adopt a plan tomorrow for coping with the relembess exodus of refugees from Vietnam. Yet several of the countries most

several of the countries most concerned already consider it hopelessly inadequate.

Their attitude spotlights a moral dilemma at the heart of the two-day conference on Indo-Chinese refugees called by Mr Javier Perez de Cualiar, the United Natione Secretary-General, which opens in Geneva today.

central which opens in Geneva today.

Anthorities in Hong Kong and other coastal states, which have provided "first asylum" for Vietnamese boat people over the past 10 years, claim that most of those now arriving are not political fugitives but people seeking a better life. Hong Kong introduced a screening system in June 1988. The British colony is struggling to accommodate 42,000 Vietnamese on its overpopulated territory and a continuing influx that is averaging more than 500 a day. Its authorities believe the only way of deterring the flood is to send the "economic migrants" home by force. They have the tacit, if so far not the public, backing of the British Government.

ment.
What is more significant, perhaps, is that Hong Kong's desire to repatriate Vietnamese denied refugee status has been endorsed by Oxfam, the aid organisation.
The US, France and the UN High Commissioner for Befugees oppose mandatory repatriation. For the Americans, who have taken the largest share of

have taken the largest share of the more than Im people flee-ing Vietnam since 1975 and are the major donors of funds for refugee relief, it is unthinkable

By Hugh Carnegy in Jerusalem

A TWO-DAY visit to Israel by

Egyptian minister Boutros

Bontros Ghali appeared last

night to have left Israel's peace proposals for the occupied West Bank and Gaza Strip alive, if not much advanced.

Mr Boutros Chali received a

predictable rejection from Prime Minister Yitzhak Shamir

when he offered Egypt's ser-

vices as a mediator between

israel and the Palestine Libera-tion Organisation.

However, there were other



Children in a Hong Kong refugee camp for boat people

A draft "comprehensive plan of action", approved by 38 countries, including the UK, after a meeting in Kuala Lampur, Malaysia, in March is due to be endorsed in Geneva this week. It accepts screening procedures to determine whether asylum seekers are eligible for reages status and introduces for the first time the possibility of repatriation — for volunteers.

Hoog Kong has been trying since last year to persuade Vietnamese to return home freely. So far only two planeloads, totalling 143 people, have been flown to Hanoi

understanding with the Viet-namese Government over the treatment of returning fugi-At present some 3,000 Viet-

Anxiety has also been heightened by the suppression of the students' movement in Peking which has revived fears

askerp increase in the number

victed on 10. They are due to appear again in court today for a plea to mitigate the sentences. They face prison on charges including passing information on police and army installations to the ANC, detonating a bomb and destroying a bus carrying soldiers in the town of Benoni. Pollsario to free 200 prisoners The Polisario Liberation

The Polisario Liberation Front, which has been fighting against Morocco for the independence of the former Spensish colony of the Western Sahara will release 200 Moroccan prisoners next Saturday, Francis Ghiles reports.

This gesture of good will comes on the eve of the one week tour the United Nations Secretary General, Mr Javier Pérez de Cuellar will pay to Morocco, Mauritania, Mali and Algeria for talks aimed at settling the 14-year-old conflict over the Western Sahara.

The Secretary General is

The Secretary General is also expected to meet the Pollsario leader, Mr Mohamed Abdel Aziz.

Abdel Aziz.

A second meeting between Polisario leaders and King Hassan of Morocco is also expected shortly, following the first ever meeting between the two sides, held last January in Marrakesh.

War-ravaged economy forces the pace of Angola's reform

Nicholas Woodsworth, recently in Luanda, examines the backdrop to a shake-up of political and social restructuring

Angolan receptionist at the night desk of uanda's Hotel Presidente, is ategorical Luanua is in the serior out. "Almost everything is closed

юw," she says, nostalgically isting the names of restauants and clubs that used to nake Luanda one of the live-ier cities in Africa. "There are to few night-spots left that you lave to book weeks in dvance. There's also the curew, everyone has to be home y midnight. And visitors can't ven get around the city these - there are no taxis in uanda anymore. You're better ff staving in."

One glance from the doors of he botel lobby is enough to ersuade guests that Doice is ight. At 9pm, the refuse-litered streets outside are dark nd deserted. Along the main horoughfare that skirts the ay on which Luanda is built, he only visible activity is an ccasional Soviet-built truck

n military patrol.

But if visitors at the hotel hink Luanda hy night is ntirely dull, they are misaken. On at least two or three lights a week, guests in rooms verlooking the city's port are rought bolt upright in bed by he sound of automatic gunfire

Down below, among the ranes and cargo containers tacked along the darkened ockside, they may see lumious tracer bullets flying. heir faint paths shed little ight on the reasons for the disurbance, however, and guests urn back to sleep mystified

nd apprehensive. The doubt with which visiors regard Angola, especially fter such an occurrence, is tot exclusive but shared by ingolans themselves; theirs is country whose troubled his ory tinges even the simplest of

vents with uncertainty.
This uncertainty has grown. a the recent past. A short time go Angola was a staunch efender of Socialist economic evelopment; now it is looking o the International Monetary und. Previously it found its reatest political support in he Eastern bloc; today it is xiporing ties with the West. A ear ago its government was cwing a fight to the finish with Unita rebels; now it is onsidering accommodation. station, Angola with much resitancy stands today at a rucial watershed in its develoment.

The shooting outside hotel

rindows is not what many sus-

ect - a Unita attack - hnt

ne of the more desperate esponses to the nation's moriund economy. Although the ountry's busiest entrepot is vell guarded, fully 40 per cent I the goods arriving here each ear find their way out illeally through bribery, on-the-oh theft and armed robbery. While only a few Luandans pt for night-time firefights, lmost everyone in the city has n esquema - Portuguese for fiddle" - that permits them o make up for the failures of he Marxist-oriented, state-run conomy. Affected since indeendence in 1975 by a chronic bortage of goods and an

OLCE, the attractive increasingly worthless currency, most Luandans, from senior party officials down to factory workers, have little choice but to deal on a thriving black market that bas supplanted the official economy as the main source of consumer goods.

Securing foreign goods which can then be sold at prices that accurately reflect the domestic demand for commodities is the daily preoccupation of this market. Stealing from the port is one method unacceptable to the government. But its own incapa have forced it to turn a blind eye to the esquema of Luanda's 3m inhabitants.

These range from the black market sale of snbsidised goods by state officials, to the setting up of trading stalls in one of the city's technically illegal open market places. The most convenient arrangement of all, however, is to have fam-ily ties or unofficial business relations with Angolans work-ing for foreign companies, embasse and aid agencies. These fortunate employees

recieve the larger part of their salaries in imported commodities such as beer, which over the years has on the parallel market become a medium of exchange in its own right. The overvalued local kwanza has since 1975 been officially pegged at just under 30 to the dollar on the parallel market. However, where the kwanza is accepted at only one eightieth of its face value, a \$12 case of imported beer now sells for 30,000 kwanza - \$1,000 at official rates, or two months' sal-ary for the average Angolan worker. While the absence of an import-fuelled black market in Angola's countryside has reduced rural economies to bare subsistence or, a system of straight barter, the develop-ment of two separate economies in the urban areas has led to ever greater anomalies.

Scarce, locally produced goods, generally unavailable on fixed-price, official markets, have adjusted to parallel mar-ket rates. Local tomatoes, to cite just one example, sell for 4,000 kwanza a kilo, \$50 at the official exchange.

Subsidised services provided through the official sector, on the other hand, have become ridiculously cheap. Proceeds from the sale of two cases of beer on the black market are enough to buy a ticket to Rio de Janeiro, while the profits from a packet of American cig-arettes will pay a month's rent on a three-bedroom apartment. Why have Angolans evolved techniques that bring auch extraordinary distortions to their economy, and how can the government promote any form of real growth in such

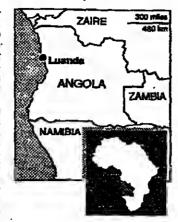
conditions? Angola's ongoing

civil war, its Portuguese colo

nial inheritance and its chang-

ing economic orientation are

all part of the answer. Angola is one of the most richly endowed countries in southern Africa. With just over 9m people, it is the continent's largeet oil producer after Nigeria, has major diamond and mineral deposits and great-potential for agricultural exports. Yet throughout its



Cargo stacked along the dockside Luanda harbour fuels the black market. Although the country's busiest entrepôt is well guarded, 40 per cent of the goods arriving here each year find their way out illegally through bribery, on-the-job theft and armed robbery.

period virtually all develop-ment, with the exception of one vital sector - oil has been prevented by armed conflict. This has involved not only internal opposition to MPLA government rule by Jonas Savimbi's Unita forces. American military aid and invasion by South Africa – both in support of Unita – and the participa-tion of 50,000 Cuhan troops backing the MPLA have made Angola's war a regional con-flict with global implications. The damage to Angola's economy is incalculable. Over

80 per cent of the country's ter-ritory is insecure. More than 500,000 people have fled to the cities. Economic infrastructure and productive capacity. including power and manufac-turing plants, mines, roads, railways, farms and plantations have been destroyed. Government military expenditure comes to more than \$1hn annually and accounts for more than 40 per cent of state revenue and 50 per cent of all

mports. Constraints induced by the war have led to losses of production, shortage of goods, depreciation of purchasing power, widening budget deficits and increasing balance of payments difficulties.

These problems have been further exacerbated by a continuing critical lack of manage-rial, administrative and techni-cal expertise. Angola's colonial rulers did very little to prepare the country for independence in 1975; the exodus of 90 per cent of Portugal's 350,000 colo-nists included most of the country's businessmen, senior and mid-level senior servants, engineers, traders and com-mercial farmers.

As a consequence, produc-tion in manufacturing, mining, agriculture and the diamond and coffee export trades all dropped by at least 70 per cent. The loss of expertise has yet to be made up for, and is a major factor in the decline of per cap-



ita GDP to less than \$400, well below colonial period levels in

Angola's present economic plight, however, cannot be attributed solely to war and a lack of managerial skills. Much blame must go to the choice of economic policies adopted by the Marxist-oriented MPLA government. The overwhelming role played by the state has led to unwieldy centralised planning, a vast, loss-making parastatal sector and pricing policies that sudsidise consumption but fail to provide incentives to production.

By 1986 hugetary expenditure, financed in part by exter-

nal loans, exceeded revenues by 25 per cent. Following the year. Angola's revenues declined and the deficit became much larger. At the year's end the country's external debt stood at \$3bn and totalled 70 per cent of GDP.

The 1986 oil crisis forced the government to recognise the need for new attitudes and policles. Ineligible for IMF or World Bank support because it had never applied for membership, it first adopted an auster-ity programme aimed at kupting imports and government spending. In 1987, it announced with much fanfare its home

grown "Programa de Saneamento Economico e Financiero" - a plan for economic recovery closely modeled on classical IMF-inspired African structural adjustment pro-

grammes. SEF, as it is commonly known, has cited among Its objectives economic decentral-isation, the liberalisation of price controls, an increased role for the private sector, greater autonomy for parastatals, a shift in agricultural policy from co-operative to peasant farming and devaluation and money supply control.
In the streets of Luanda and

on remote peasant land-holdings, however, the hard-pressed Angolan population is still awaiting the first winds of economic change. Although now approaching the end of its second year, SEF has so far falled to take significant action to implement its programme.

Supporters of the programme say it has gone ahead more alowly than boped, but emphasise the enormous legal and institutional transformations that are prerequisites to building a free market.

They point to the six laws passed last July opening the way to greater parastatal autonomy, decentralised plan-ning, trade privatisation and foreign investment. They remind critics of the announcement made this March of a partial deregulation of prices, and of the government's confirma-tion in early April that it was shortly to devalue the kwanza. in two stages, to 25 per cent of its present value.

Many observers, however, remain sceptical of the government's ability to act on its deci-sions. The administration, they say, is simply not up to the task. The most competent and qualified personnel in government have been recruited into the SEF Secretariat, leaving expertise in ministries and provincial capitals practically

State authorities remain unsure of the political and aocial consequences of the price increases and large-scale parastatal redundancies that would accompany far-reaching adjustment. Consequently there is much foot-dragging There are also indications that hard-line MPLA members are resisting change, not only for ideological reasons, but because it would affect power and priviliges.

The greatest obstacle to economic development, bowever, remains the war. Although under the terms of the American-sponsored agreement reached by Angola, Cuba, and South Africa last December direct foreign involvement in the civil war will end, Unita remains a viable fighting force supported by the US. Its con-tinued ability to disrupt economic activity is a major inhi-bition to the lovestment, public or private, domestic or foreign, on which development

There are signs of some rapprochment. Despite govern-ment avowals never to negotiate with Jonas Savimbi, high-level MPLA-Unita talks have been taking place under the initiative of a government amnesty offer to rebel troops. These have given hopes to dip-lomats in Luanda that the MPLA, locked in an unwinna-ble war, will swallow its pride and move towards reconcilia-tion by the end of the year. This and Angola's entry into

the IMF, likely to take place in September, offer the country some hope for the future. But given its present devastation and the many obstacles, at least some of them self-imposed, facing structural reform, economic development in Angola can only be a long, slow and difficult process.

Our system is designed to meet the evolving needs of users and network providers through

a steady increase in functionality. It has an open architecture

Namibians celebrate as exiles

return home

A DESERT AIRPORT rang to the sound of freedom songs yesterday as men, women and children danced across the tarmac to celebrate their homecoming to Namihia after years in political exile. Reuter reports from Windhoek.

In the first flight of a United Nations-organised ziriift intended to bring home 41,000 people in six weeks, a Zamha Airlines DC-10 from Lusalia deposited 150 returnees at the airport serving the capital

airport serving the capital Windhoek.

The airlift is part of a UN independence plan for the vast desert territory which has been ruled by Sonth Africa since World War One.

About 200 people, mostly supporters of the South West Africa People's Organisation (Swapo) which fought a guerrilla war for more than 20 years, sang and chanted as the years, sang and chanted as the so-called returnees filed on to buses after registering with the office of the United Nations High Commissioner for Refugees (UNHCR).

The refogees were then fer-ried to a UN transit camp on the ontskirts of Windhoek where they will stay for a week hefore going to their home villages and settlements. "The returnees are happy to be home. They are fit and well," said Mr Nicholas Bwaklra, chief of the UNHCR in Namihia.

Mr P.W. Botha, South African President, agreed last week to grant full amnesty to the returning exiles, removing a major hurdle in the transition to independence.
Airlifts of more refugees

back to Namibia will take place for the next six weeks at Windhoek and at the northern garrison towns of Grootfontein and Ondangwa.

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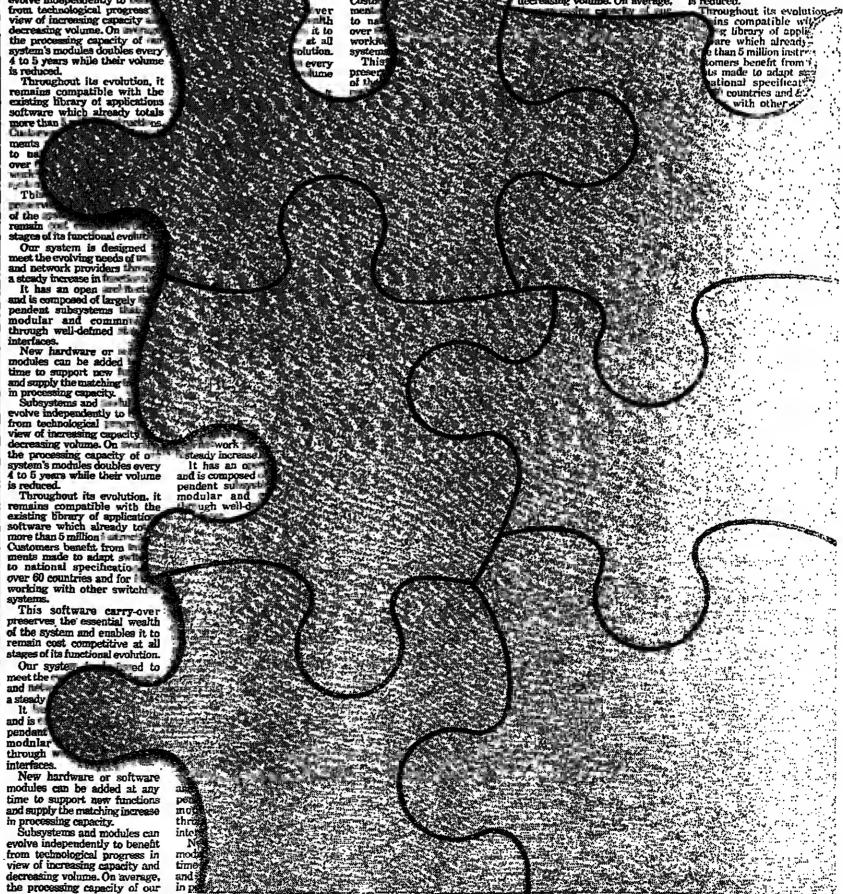
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The secret is service.



Worries about coal are directed at Bonn, not Brussels, reports David Goodhart

HE European Community's outline plans to ket in energy is one of the very fer EC issues which funda-men itally divides the two main part ies in West Germany. The Chr. Istian Democrats (CDU) are. with some qualifications, for it; the Social Democrats (SPD) are vehemently opposed. Despite this, the issue has

not p layed much of a role in the to vo parties' campaigning, which, as in most other member states, has been fought on the us ual domestic issues.

But if the SPD believes its own pr opaganda about the pro-posed common market in energy, it will be a classic case of cont lict between the free market and environmental pro-tection and should thus be at

the heart of its campaign.
According to Mr Reimut
Jochims in, the SPD Economics
Minister in North Rhine Westphalia (N RW), the EC's proposals will at a stroke undo all progress made in protecting the environment in Europe over the past 10 years.

The de-coupling of economic growth and energy consump-tion, alres dy partly under-mined by cheaper oil, will be torpedoed by the Commission's narrow-minded insistence on providing industry with the cheapest possible energy, the NRW government believes.

What has the Commission actually proposed? Earlier this year a report was produced recommending that energy subsidies should be cut, and eventually eliminated, across the EC. Then in March the Commission said it would under French pressure investigate Germany's substantial aid to its coal industry to see if it was compatible with EC competition rules, and examine whether EC electricity and gas distributors should be obliged to open their grids to all suppliers under a US-style "common carrier" policy.

The SPD believes the Commission is backed by at least part of the West German government in wanting to phase oot coal sobsidies, and cites the government's refusal to lodge a formal objection to the EC investigation.

The SPD may well be right.
Although Mr Helmnt Kohl makes occasional shows of soli-darity with the mining areas, he knows they produce few votes for his party and he will probably only try to slow down a subsidy reduction. The official line from the government is that German coal can be bet-ter defended by bargaining with the Commission than by

fighting it. Germany now spends about DM10bn a year compensating the utilities and steel producers for the extra cost of buying German coal. The utilities claim back the difference between German coal and cheap imported energy by levy-ing an extra 8.5 per cent on electric bills – the so-called Kohlepfennig.

hasing out the Kohlep-fennig would be popular with industry. Which claims its energy bill is on average 30 per cent higher than French industry's, but unless the Kohlepfennig was replaced with some other form of subsidy it would also mean phasing out most of Germany's 150,000 mining jobs. In Gelsenkirchen, a mining

town north of Essen in the Ruhr, they have already lost more than 50,000 mining jobs since 1960 and Mr Jurgen Linde, the town's chief execuits way 5,000 more will go immediately, with the rest not far behind.

There are four pits left in the area, still providing 30,000 of the 120,000 local jobs. But the town – twinned with Newcastle - has not been able to bring in new jobs fast enough and the total population has fallen from 400,000 in 1960 to

285,000 today.

Mr Linde, a former SPD

Euro-MP, accepts that subsidies cannot remain forever but wants an EC support system similar to the steel industry to help smooth the transition.

Meanwhile he hopes that his town's central position within the EC will make it an attractive centre for transport con-cerns, and - taking the other side of the protectionist argument - he supports domestic transport liberalisation to boost the competitiveness of the German transport industry. There is also the hope of

attracting new businesses from Japan, Korea, and Norway.
But that is probably not the reason why the Euro-election campaign in the area seems remarkably free of anti-EC sentiment. The SPD and the min-

tant local political bodies, seem determined to channel anxi-eties about Brussels' energy politics against the Govern-ment in Bonn. As one official

admitted, they do not want to

stir up latent anti-European

stir up latent anti-European feeling among the voters.

It is Bonn, the argument runs, that has failed to come up with a proper national energy plan thet could protect jobs and the environment and West Germany's strategically vital coal reserves. Local SPD politicians even suggest that the Government will allow chean French nuclear power cheap French nuclear power

onto the German grid.
Technically, such a decision is up to the private German utilities, one of which already boys some French power, but for the French to break into the German market the political contents. for the French to break into the German market the politi-cians would have to agree.

If the SPD wins next year's national election, such a deal will be off the agenda and a much tougher fight with the energy liberals in Brussels is predicted. And if the SPD's hopes of polling over 40 per cent in the Euro-election (against 37 per cent in 1984) (against 37 per cent in 1984) come true, such a victory in 1990 will look more likely.

For the moment at least devolving power to the regions has eased tensions in the noto-

Profile: Belgium

Delicate balance in home of the identikit European

MRS Thatcher's "Identikit European" may be alive and well – and living in Belgium. Try as one might in the pres-ent election campaign it is vir-tually impossible to find significant differences between the main Belgian political parties on European Community issues. They are all for closer EC integration — not surprising perhaps in a small country with traditionally weak Government and they are all ernment — and they are all naturally enough behind the growing campaign to make Brussels the undisputed seat of

Brussels the undisputed seat of the European Parliament.

If the saloon bar British Tory of Thatcherite bent is missing from the local political scene, however, next Sunday's Euro-pean poll is seen here as pro-viding the same sort of oppor-tunity as in the UK to pass judgment on the performance of the national sovernment.

of the national government. Mr Wilfried Martens' eighth coalition has not been in office for 10 years — but commentators recken that to have survived 12 months (a landmark it reached in May) is a considerable achievement given the instability and uncertainty which preceded its formation. Much to everyone's surprise and relief there have been no major crises in the last year as Mr Martens and his skilled lientenant Mr Jean-Lnc Dehaene have successfully and energetically piloted through the first two stages of the programme of constitutional reform. coalition has not been in office

rious Voeren/Fourons com-mune and in other areas around Brussels which had become flashpoints for Bel-gium's deep-rooted linguistic

There also appears to be a broad consensus on economic policy, thanks largely to the favourable European economic environment which contribenvironment which columbined to last year's 3.9 per cent jump in GNP (the best result since 1976) and which helped inspire the current private sector investment boom.

The political balance is always precarlous in Belgium, however, and the significance of the European poll is that

EUROPEAN ELECTIONS

any sharp swing in voting could open up new divisions among the five centre-left par-ties in the government. Next month's negotiations on the 1990 budget are in any case expected to be tough and will test the strength of the Socialist parties' commitment to keep up the pressure on public

The party least at ease within the government seems to be the Flemish Nationalist party, or Volksunie, which was brought in originally to secure the necessary two thirds majority in Parliament for the con-stitutional reforms. The Volk-sunia did poorly in last September's local elections and some feel its participation in the government has lost it sup-port to the more extreme Vlasms Blok.

The significance of the European poll is that any sbarp swing in voting could open up new divisions among the five centre-left parties in the Government

The party's top beass says it has every intention of remaining on board — important if the final stage of the reforms, including the clearer defining of regional and national competences, is to be completed—but it nevertheless appears to be restored at European level be resigned at European level to losing one of its two seats in Flanders, one of two multi-member constituencies in Bel-

More than 200 candidates have been nominated for the 24 Belgian seats and thanks to the inguistic splits no fewer than 17 different party lists have been submitted. Voters in Brussels can opt to vote in either constituency and at the same time will be choosing the first elected council for the Brussels region, which will have 75 members.

No major changes are expec-ted - the Flemish-speaking ted — the Flemish-speaking Liberals may pick up an extra seat with former EC Commissioner Mr Willy De Chercy at the head of their list the ubiquitons green parties are expected to enhance their position, particularly in Flanders; while of the main government parties the feeling is that the newly united Socialists may benefit at the expense of the Christian Democratic parties.

Mr Jose Happart, the franco-

Christian Democratic parties.
Mr Jose Happart, the francophone ex-mayor of the Fourons,
most widely identified with
Belgium's perennial language
squabbles, has been rewarded
for his more compromising
behaviour earlier this year
with a prominent position on
the Franch-speaking Societies.

with a prominent position on the French-speaking Socialist Party (PS) list – a virtual guarantee of his reelection to the Strashourg assembly. This has not, however, pre-vented him engaging in some diversionary and publicity-seeking antics in recent weeks. notably over the controvers siting of a polling station out-side his private front door.

Another key personality in the campaign is Mr Leo Tinde-mans, Belgium's Foreign Min-ister and head of the Flemish-

speaking Christian Democrat list, who is expected to step down from his post in the govdown from his post in the government to pursue his parliamentary ambitions. He is still extremely popular in his native Flanders — where he grabbed an extraordinary 35 to 40 per cent of the vote in the 1979 parliamentary elections — but his campaign to win the presidency of the Parliament is not given much chance of success. given much chance of success. Some MEPs, for example, may not forgive him for refusing to appear before a Strasbourg committee of inquiry into the handling and transport of nuclear material.

'Genscherite' who stresses East-West ties

By David Marsh in Bonn

HOLDING aloft the European election banner of West Germany's liberal Free Democratic Party is a benign and well-connected 65-year-old who says he wants to make Europe a more pleasant

place for his grandchildren. Mr Ruediger von Wechmar, who until the end of last year was the Federal Republic's ambassador to London, has stamina and a puckish bumour. He has logged 22,000km hy car on election trips around West Germany over the past two-and-a-half months. As ever, how-ever, the Germans liberals are fighting to win the 5 per cent of votes necessary to win the 5 per cent of votes necessary
to gain parliamentary representation.
For more than 40 years, Mr von
Wechmar has been journalist, Bonn
information official and diplomat. He
was Bonn's envoy et the United Nations
and in Italy. Now be is embarking on a
now political capter at a time when the and in Italy. Now be is embarking on a new political career at a time when the Federal Republic is conspicuously increasing its political weight in both eastern and western Europe. He claims not to be interested in retirement. "I didn't really think I would be the type for getting up and simply going to fetch the newspapers and the rolls for the day," he says.

Mr von Wechmar, a FDP member for Mr von Wechmar, a FDP member for 18 years, is an unabashed supporter of the East-West policies of Mr Hans-Die-trich Genscher, the FDP Foreign Minis-ter. The Free Democrats' TV advertise-ments for the European poll are built around Mr Genscher's prominent fea-tures. This alone seems sufficient as an election slogge.

election slogan. "I am a Genscherite," says Mr von Wechmar. "It is a sign of quality. Genscher is the man not only with the ears hut also with the nose. He is always five years ahead of everyone else. He is a great tactician — but also a great strategist. He sees opportunities in what is going on in eastern Europe." m what is going on in eastern Europe."

At his European election meetings,
Mr von Wechmar says two main themes
stand out. One is the planned post-1992
internal market. The other is the
chance for East-West changes to
improve the ground for reunification
between East and West Germany. Mr
von Wechmar tells railies that self-determination for people in Communist
Europe — inclinding East Germany — is
becoming more feasible. "Europe does
not end at the Eibe. There are millions not end at the Elbe. There are millions of people who want to take part in

On the 1992 moves, he berates the Bonn government for not doing enough to inform West Germans about the opportunities and benefits. Even though British premier Mrs Margaret Thatcher's vision of Europe is not the same as the Germans', the ex-ambassa-dor says he admires the UK publicity campaign to inform people about 1992. He wishes his country would take simu-

lar dynamic action. lar dynamic action.

The German far-right is picking up support by complaining that West Germany is paying too much into the EC and is being swamped by multi-nationalism in exchange. "I can't understand why the federal press office doesn't do more. When you have a problem, you should inform people." He confesses he is "a bit worried" about the potential size of the radical vote — on both right and left — on June 18.

and left - on June 18. Mr von Wechmar has not lived in West Germany since 1974. He says he is surprised by the change. "I came back to find a totally different republic - not to the one I had left, but compared with what I was told was here. Abroad, everyone says what a marvellous coun-

try we have become - 40 years of democracy, the D Mark, clean streets, the trains run on time. Instead, I have found all this tearfulness, melancholy self-criticism. There is a convergence of different streams. Germany has a feeling of having grown up. But there is also a lot of self-pity."

When he said, his ambassadorial goodbyes to Mrs Thatcher in London, the Prime Minister grasses a supprise

the Prime Minister expressed surprise that he was going to join the "socialist" European perliament, Reflecting on the dispute between London and Bonn over short-range nuclear missiles, Mr yon Wechmar says impishly: "I sympathise with my successor. I am sure he has a hard time, both with the Prime Minister and with the general public."

Mr von Wechmar reflects that West

Germany faces a challenge in finding the right international role. The country believes more these days that it has to "put its foot down". But, he says, "it is a question of how loud and how big a foot you put down". Under Mr you Weekwar Carman liberals in Street Wechmar, German liberals in Strasbourg – provided they surmount the 5 per cent hurdle – will be putting their foot down with decorum.

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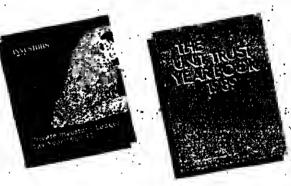
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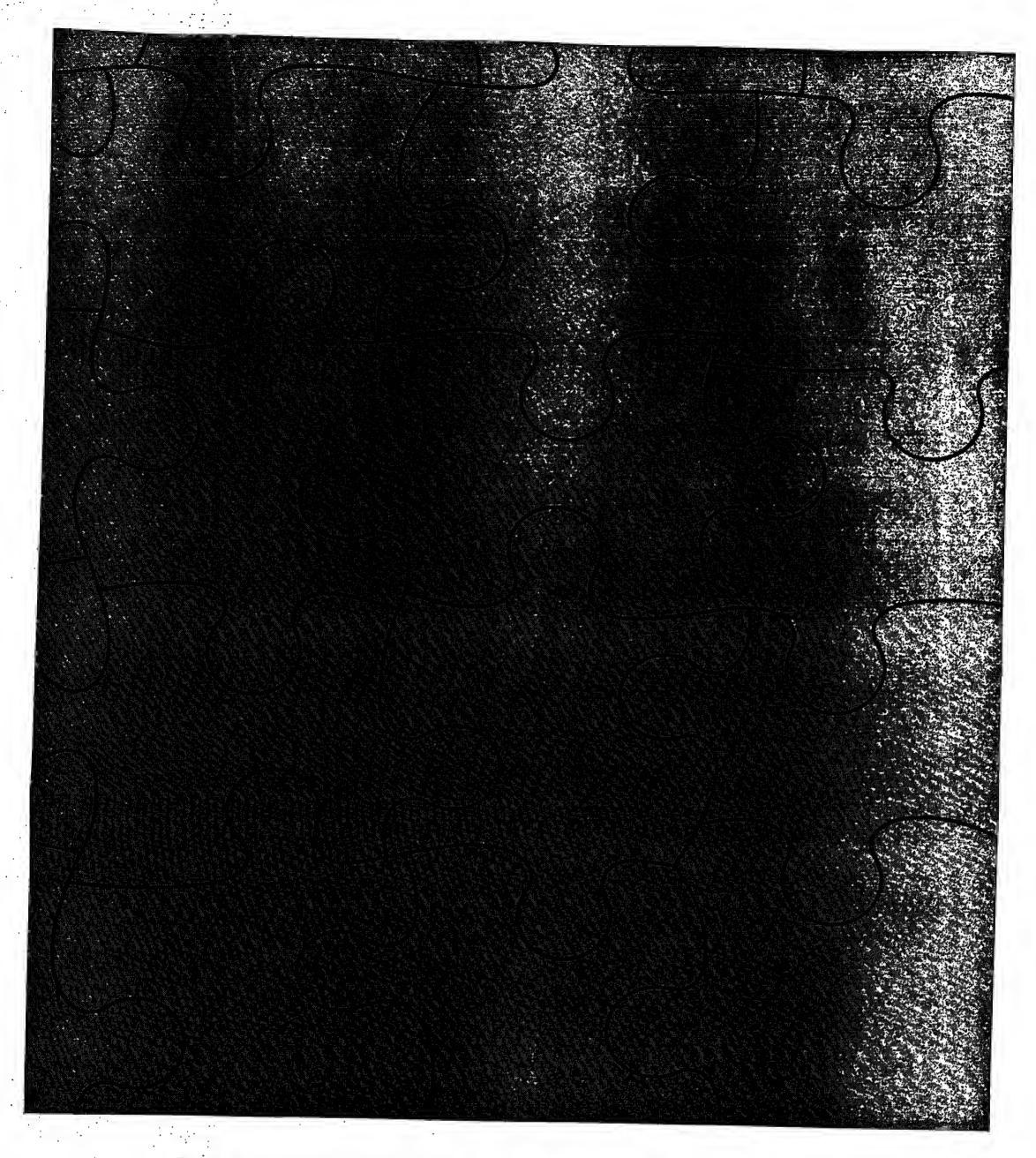
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AMERICAN NEWS

By Gary Mead in Buenos Aires

Mr Carlos Menem, of the oppo-sition Peronist Party, may

Bush proposals tackle clean-air law deadlock

By Peter Riddell, US Editor, in Washington

PROPOSALS aimed to break the decade-long political stalemate in the US over clean air expected this year or early legislation were announced yesterday by President George

Having unveiled his wideranging plan to leading Con-gressmen, state governors and industrialists in the White House, Mr Bush started a two-day tour of speeches and visits in Wyoming and Nebraska, aimed to highlight his concern with environmen-

The proposals are intended to cut acid rain pollutants pro-duced by power stations, and to prevent smog which frequently hits major cities in the US hy curbing emissions and requiring the sale of cars hurning cleaner fuels.

Mr Bush's announcement was generally welcomed hy politicians of both parties and by prominent environmentalists especially in view of the

ists, especially in view of the low priority given to this subject hy President Reagan.

The president had made a point of discussing it with Mr

Brian Mulroney, Canada's Prime Minister. Acid rain has been a big controversy in US-Canadian relations.

The president's plan will

now go to the Democrat-con-trolled Congress, which is con-

Mr William Reilly, head of the Environmental Protection Agency, estimated the total cost of the package at \$14bn to \$19bn, when fully implemented

in the early part of the next century. Electricity hills will rise by more than 2 per cent for consumers of the 107 most polluting plants.

The emphasis throughout is on laying down objectives but permitting industry and utilities to find their own ways to fulfil them. Mr Bush stressed the need to harness the power of the marketplace. Following a vigorous debate within the

administration, this approach reflects the views of Mr Mich-ael Boskin, chairman of the Within the context of other measures to cut emissions from cars, fuels, factories and other sources, the Government will apply rules like those being proposed for acid rain so as to allow motor and oil companies to trade required reductions to meet the owers! stan-The proposal to cut sulphur dioxide emissions by 10m tons, or almost e half, by the year 2000 is intended to ensure that

2000 is intended to ensure that "the degradation caused by acid rain will stop by the end of this century." Utilities are being allowed to trade credits among themselves for reduc-tions they make to allow them to decide how to bring aggre-gate emissions down as cost effectively as possible. Jamaican credit deal By Barbara Durr in Santiago

By Canute James in Kingston THE International Monetary Fund has agreed to extend the life of a current stand-by credit peckage for Jamaica six months beyond its scheduled

end in September. Mr Seymonr Mullings, Jamaica's Finance Minister, Jamaica's Finance Minister, said the economic performance targets egreed with the Fund for the quarters ending December and March had not been met because of damage done by a hurricane last September.

Jamaica's drawdowns under the \$118m package were suspended in March, but government officials have said the island will have access to

IMF extends | Right winger launches bid for Chile presidency

MR SERGIO Jarpa, president of the moderate right-wing National Renovation Party. launched his bid for Chile's presidency at the weekend. He had refrained from

president's council of economic

advisers.

becoming e candidate in the December poll while Mr Hernan Buechi, former Finance Minister, was a possible contender. After Mr Buechi refused last month to stand, Mr Jarpa — a 68-year-old traditional concernition.

tional conservative - was the right's next logical choice.
Emphasising what is expected to be the theme of his campaign, Mr Jarpa told a meeting that the higgest challenge of the next government will be to maintain Chile's economic growth. He also said his prime commitment would he to

The president has also called on Congress to require motor manufacturers to phase in cars that use alternative fuels such that use alternative their such as methanol, with a goal of 500,000 such vehicles being sold in the most polluted urban areas by 1995, and Im after 1997. This compares with 12m cars and trucks sold annually

Unlike petrol, methanol does not produce hydrocarbons and nitrogen oxides that cause smog problems. Mr Reilly said that this plan would bring most US states within federal air quality standards by 1995 and all but the most severe problem areas — such 26 Los problem areas - such as Los Angeles, Houston and New York - within the guidelines by the early years of the next

tions to meet the overall stan-dard in the most cost-effective

All categories of airborne toxic chemicals are to be cut by three-quarters within the next decade.

resolve Chile's social problems.

President Augusto Pinochet
last week publicly endorsed Mr
Jarpa as "a very capable man
who would be a good president", and "as a man of our
side."

The Union of Democratic Independents, the pro-Pinochet party, is reluctant to back Mr

Among the opposition, the long awaited entry of Mr Patricto Aylwin, the president of the Christian Democratic party, edged closer. His main rival, Mr Enrique Silva Cimma, leader of the Padical Party, withdraw and cast his support. withdrew and cast his support to Mr Aylwin. The opposition, widely expected to win, has pledged to back one candidate.

ARGENTINA'S president-elect soon take office, if a series of meetings this week resolve

early transfer of power. The date may be announced at the end of this week; the first half of August or even late July seem most likely.

At the weekend, Mr Menem again raised the issue of his early takeover. Speaking on Brazilian television, he said that people were losing their patience and accused "radical government functionaries, several outstanding issues to the satisfaction of him and President Raul Alfonsin.
Mr Menem is not due to be installed as the country's 46th president until December 10. However, the urgent economic crisis, the weakness of the Alfonsin Government, and the existence of a Peronist shadow government functionaries, through their large, shady deals and their ineptitude," of having brought about the ecocabinet have combined to raise the issue of an early handover. Members of the Government nomic crisis. Inflation for June will be et least 100 per cent, with no immediate sign of its and Mr Menem's team are to meet throughout this week to discuss legal and constitu-

abating in July.
But there are both constitutional and political obstacles to a swift transition. The con-

stitution makes no provision for a president to resign. The present order of succession requires a president to be sucrequires a present to be succeeded by, first, the vice-presi-deut and then, if necessary, the leader of the Senate (who happens to be Mr Eduardo Menem, involver of the president-elect).

Talks on handover to Menem near result

The two sides will be trying to find a formula to close Mr Alfonsin's term without his having to face the difficult prospect of a fudged resigna-tion six months before he is due to go.
Suspicion is growing that
the formula will include a

mutual agreement that one pre-election promise of the Peronists – to investigate

alleged financial mismanagement in the outgoing Radical party government — will be silently dropped.

Stephen Fidler, Euromarkets Correspondent, reports from Basic: Argentina has cleared in a contract with the correspondent. its arrears with the interna-tional Monetary Fund, follow-ing the disbursement of a loan from three Latin American

Monetary officials in Basie for the annual meeting of the Bank for international Settle-ment said some \$180m of arrears to the fund, which began to emerge in April, had been cleared. This latings it up to date, according to officials. The hridging loan from Mexico, Venezuela and Brazil

amounted to \$125m, while Argentina has financed part of the rest, according to the officials, through the sale of the Argentine embassy in Tokyo.

The decision to clear the IMF arrears followed consults. tions between the economic teams of outgoing President Alfonsin, and President elect. Menem. It will be viewed as a

sign that the new administra-tion intends a co-operative approach to the IMF.

An IMF mission is expected in Buenos Aires towards the end of the month to examine. Argentina's distressed econ-ony. The country has arrears totalling some \$3bn to most of its iong and medium-term

Lady of the lake gets a facelift

Veronica Baruffati reports on grand plans for Peru's old steamer

NE OF the last rivetted iron-hulled ships still afloat today is awaiting renovation 12,500 feet above sea level In the chilly hioe waters of Lake Titicaca, hirthplace of Viracocha, the creator god of the Incas.

tional ways to arrange the

The Yavari, named after the tributary of the Amazon which forms the border between Peru and Brazil, is a 240-tonne stea and brazil, is a zar-time steam yacht constructed in 1862 in Blrkenhead, north-west England, hy Laird Bros Ltd., forerunner of Cammell-Laird shiphuilders, to the order of Peruvian President Ramon Castillo.

Laird were instructed to build two steamers for use on the world's highest navigable lake and that no piece be heav-ier than could be carried by a

The 2,766 pieces which made up the Yevari were shipped to the Peruvian port of Arica (which became Chilean after the war of the Pacific in 1883) whence the disassembled ship was transported by rail 30 miles across the desert to Tacna. It was here that the real odyssey began.
A volunteer was contracted

to transport all the pieces – in-cloding anchors and propeller shafts – hy mule np the Andes, over passes and into the Altiplano where Puno lies on the marshy shores of Titi-caca, dwaifed by the surround-

in 1894, and then, in 1914, the llama power system was replaced by a Bollinder, four-cylinder, hot valve, semi-diesel ing majestic wall of the Cordillera Blanca, some of whose peaks surpass 20,000 feet.

With characteristic Peruvian optimism, the volunteer calculated it would take him and his

mule six months to transport all the pieces to Puno. In fact, it took six years of ardnous efforts to move the pieces 186

Characteristic Peruvian optimism ensured the arrival, albeit later than planned, of all 2,766 pieces which made up the Yavari. A volunteer took it by mule

miles, as the condor flies, to the small jetty in Puno where the ship was finally reassem-bled on Christmas Day 1870. The purpose of the ship was to skirt the shores of the lake carrying passengers and supplies to remote outposts and to collect local goods and produce with which to trade with for-eign vessels which dropped anchor in Lima's bustling port

of Callao. However, the volume of dried llama dung required to fuel the ship at that altitude left little space for any other cargo. This led to the ship's hull being extended by 50 feet

Ownership of the Yavari changed hands several times from the government to the state railway system, to the Peruvian navy for use as an

up the Andes, over passes and towards Titicaca's Lake marshy shores. He was confident the job would take six months. In fact, it took six years.

officer's mess for the navy coast guard on Lake Tricaca, until it was bought by the Yevari project, run by British historian Meriel Larken, in Lloyds' condition survey examined the ship in 1985 and reported her as being in ser-viceable condition. Due to the high altitude, there has been minimal oridation and the rivetted fron hull of the Victorian

time superbly. Earlier this year the British Council and the Manifold Trust sponsored the trip to Peru of Tim Part, a consultant paval

vessel has withstood the test of

Trust, who was involved in the refurbishing of "The Discovery," now docked in Dundee.

After a few breathtaking days in the Lake Titicaca Altiplano alongside the Yavari, Mr Parr descended to the oxygen. filled air of Lima where he exclaimed: "I would never have imagined the Yavari to have been in such excellent shape.

The project is expected to cost \$220,000. Plans include the restoration of the Bollinder engine as a working model, a modern diesel to be installed, sleeping space for 30, a video room and excellent cooking

The renovation work to be carried out by Sima, the Peru-vian naval dockyard with financing from Concytec, the state technical and scientific council. The aim of the project council. The aim of the project is to salvage and renovate the Yavari for the promotion of tourism in an otherwise depressed area. The Yavari will be the first ship to carry passengers to and from Bolivia flying the Peruvian flag on Lake Titicaca. The ship will also be available for charter to groups of specialists, for example with of specialists, for example orni-thologists and anthropologists, who want to combine a study trip with the unique pleasurs of a voyage on the world's highest navigable lake in, an unusual maritime historic set, ting.

Ex-security chief sought for murder

By Richard Johns in Mexico City A PORMER Federal Security chief, Mr Jose Antonio Zorrilla

Perez, has been named in Mexico City as the man Iscing charges for the murder just over four years ago of Mr Man-nel Buendia Tellezgiron, an investigative journalist for the newspaper Excelsior.

The announcement on Smiday night by the office of the Federal District Attorney followed the promise by President Carlos Salinas de Gortari last

Carlos Salinas de Gortari last Wednesday to take swift action to resolve the munder of the columnist, who was shot in the back by an unidentified young man in Mexico City in 1965.

Addressing a "Freedom of the Press" meeting where the last decade was raised in the last decade was raised in the last decade was raised in the close the file on any of these on-going investigations. In fact, we will redouble our efforts."

A warrant for the arrest of

A warrant for the arrest of Mr Zorrilla is now being aotight.
"It is our conclusion that the

person responsible is Jose Antonio Zorrille Perez who acted as the mastermind behind the murder," the prosecuting attorney announced.

A number of other persons are implicated in the killing, he added.

WORLD TRADE NEWS

US COMPANY SIGNS LONG-TERM DEAL WITH AEROSPATIALE

Lockheed sets new sights on Europe

LOCKHEED of the US yesterdey signed a long-term cooperation agreement with Aerospatiale, the French state owned aerospace group, in an apparent effort to strengthen its access to the European market before 1993. The agreement, signed at the

Paris Air Show, comes barely a week after Lockheed was dropped by a group of European aerospace companies, including Aerospatale, British Aerospace, MBB of West Germany and Casa of Spain, to study a new military transport aircraft to eventually replace the Transport aircraft transport aircraft.

But Mr Daniel Tellep, Lock-

heed's chairman, said the US group still hoped to be able to cooperate in the uew programme known as Euroflag (European Future Large Air-craft Group) which is replacing the previous Fima (Future International Military Aircraft) partnership which directly included Lockheed.

Yesterday's memorandum of understanding is designed to establish a long-term working rslationship to explore a wide

TWO OF the world's major helicopter manufacturers, Westland of the UK and McDonnell Douglas Helicopter of the US, have joined forces to

hid for an order worth around filbn for light attack and anti-tank helicopters for the British

army.
The two companies yester-day signed a memorandum of

McDonnell Douglas Apache

helicopter.

This aircraft is e development from the original Apache attack helicopter, which has

been in production for some

years. The Apache was developed by Hughes before it was

acquired by McDonnell Doug-

The British army has been

studying a new anti-tank heli-copter for some time, to

replace its Lynx aircraft in the

mid to late 1990s. Both the Apache and its rival, the Ital-

By Michael Donne, Aerospace Correspondent

range of potential cooperation opportunities open to all divi-sions of the two aerospace groups. Aerospatiale and Lockheed also signed a separate agreement to explore cooperation in space activities.

But Lockheed said its agreement with Aerospatiale was

not exclusive and that it had already established similar pacts with other companies in the US. Lockheed, like other US aerospace groups, now appears to he keen to forge selective relationships with European companies as a way of establishing a stronger foothold in Europe before the single European market of 1983. gle European market of 1993.
Mr Henri Martre, Aerospatiale's chairman, said the agreement reflected the French group's international cooperation policy. But some percent tion policy. Bot some zero-

space analysts at the Paris air show commented on the vague-ness of the Lockheed Aerospa-tiale agreement and questioned whether it would prove to have any real content.
Indeed, the practical difficul-

ties of cooperation were under-lined when both Mr Martre and Mr Tellep confirmed yesterday that negotiations between Lockheed and the European Airbus consortium had been abandoned. Airbns had discussed aubcontracting some production to Lockheed but the terms proposed by the US group appear to have been too expensive for the European

consortium.

Referring to the aborted Airhus negotiations, Mr Tellep said "the opportunity passed us by". Lockheed was focusing its attention on US domestic manufacturers like Boeing and McDonnell Douglas in need of additional production capacity as well as Fokker for its F100

Matra, the French privatised defence and electronics group, also announced yesterday at the Paris air show an agree-ment with McDonnell Douglas ment with menominal boughs to establish a husiness relationship to market Matra air missile systems in the US. Matra also agreed with the US group's McDonnell Aircraft division to offer the option of Matra weapons on the McDon-nell Douglas F-18 fighter. Mr Jean-Luc Lagardere,

Marconi of the UK and Daimler Benz in West Germany. He claimed there was no conflict between his current talks with GEC, which owns a 5 per cent stake in Matra, and the French group's agreements in the sat-ellite sector with British Aero-However, Matra, which clinched last week a major Saudi Arabian order for its

continuing negotiations to

forge closer cross-shareholding links between Matra and GEC

Saudi Arabian order for its Mistral surface-to-air missile, appears to have intensified efforts to establish closer links with GEC-Marconi and Dainaler Benz in response to the negotiations between British Aerospace and the French Thomson CSF state-controlled group in the missile sector. the missile sector.

The British Aerospace Thom-son talks have also been watched very-closely by Aeros-patials, which has voiced its opposition to any eventual British Aerospace-Thomson agreement leading to direct competition on key missile pro-grammes between the two French state- controlled

Japan hints at reform of distribution system

By lan Rodger in Tokyo

JAPAN has signalled its willingness to reform its dis-tribution system, as senior DS and Japanese trade officials gather for two days of talks at a seaside resort near Tokyo. Mr Hiroshi Mitsuraka, the Japanese Foreign Minister, said in the Diet (Parliament) that Japan was ready to dis-cuss its distribution with the US and European govern-

The US administration cited the distribution system as one of the structural trade barriers it would like to discuss with Japanese officials when it decided to pursue three Japa-nese industries for unfair tradness industries for untair trade-ing under section 301 of the 1988 Trade Act. Some Euro-pean officials have also com-plained about the difficulty of getting imported goods into Japanese distribution chan-

ar missisted and the dis-tribution system was a domes-tic matter, but Japan should be willing to exchange views with trading partners. His remarks followed two government-sponsored reports published at the weekend promoting distribution reforms.

Mr Mitsuzuka said the dis-

• A report submitted by a panel of distribution experts to the Ministry of International Trade and Industry (Miti) recommended that the law restricting the operations of big retail stores should be more flaybly applied.

more flaxibly applied.

The law now restricts the business hours, size and activities of supermarkets and large department and chain stores, so that they do not disrupt small stores. This is seen by foreigners as a trade barrier because it is more difficult to get imported goods into small stores than large ones.

 A committee of the Prime growth from exports to domes-tic demand. However, it had not made moch headway in improving life styles or promoting imports.
It called for deregulation of

the distribution system and a sharp reduction in working hours, and suggested that the Great China Airlines of Taiwan has ordered four 52seater Dash-8 300 commuter aircraft from Boeings de Havilland Canada division in

Indonesia donors come to talk aid but seek trade

NDONESIA'S main donor consortium gathers today in the Hague for an occasion which tends to have more to do with trade than aid.

More than \$4bn is expected to be pledged, some in grant form but much of it as tied aid - concessional loans which must be spent with the lender country.

With Indonesia's economy picking up and President Subarto's Government under

pressure to creete local employment, many donors expect a sharp recovery in project-related business. The World Bank and Japan, by far Indonesia's largest bilateral donor, are expected to provide the greater part.
But contractors in the UK,

the greater part.

But contractors in the UK, the Netherlands, France and West Germany will be looking to their governments for support as they hid for orders in what is a key market for heavy equipment sales.

Since the fall in oil revenues in the early 1980s the concessional or soft loan, how a dominant feature of the country's financial landscape, has been the best and often only way for foreign contractors to win business in Indonesia.

In 1984, after cancelling \$100h worth of capital projects, Indonesia unveiled a priority list to curb the volume of official export credits. All other government projects had to be financed by soft loans, repayable over 25 years with seven years' grace and interest at 3.5 per cent – terms which seemed tailor-made for Japan's low interest rate structure.

The soft loan is seen, from a structural point of view as

The soft loan is seen, from a structural point of view, as more workable than the traditional mixed credit — an export credit sweetened with grant money. It provides finance for development while limiting foreign debt exposure - though

total debt is still at a heady \$50hn. It also did much to sat-isfy the technical ministries for whom commercial patronage is the main lever of political

power.
If annual figures are a little misleading — individual contracts can take three years to negotiate — the meeting today none the less represents an important hudgetary exercise for the Indonesians.

Contractors look to their governments for support as they bid for export orders, writes John Murray Brown

Last week Mr Johannes Sumarlin, the Finance Minis-ter, reported that development

spending increased 38 per cent in 1988-99, the result of better off prices and improvements in project implementation. According to the World Bank, the current year's tied aid dishursements should reach \$3.1hn - more than half the total external financing needs of the public sector.

In April officials from the
Overseas Development Administration – the agency in
charge of UK ald – started charge of UK and — started negotiations for a new £100m concessionary credit, anxious no doubt to improve on the performance of its first £140m soft loan — £25m of which has still to be finalised after two years of contract talks.

suppliers designated by the ODA. But the negotiating climate has changed considera-"It is now much clearer how,

"It is now much clearer how, you get from A to B," said one British official. Team 10, the Government's much-criticised vetting agency which approved all projects above e value of 500m rupiah (£175,000) has been abolished. All proposals are now assessed by the technical ministry involved and overseen by Mr Radius Prawire, the seen by Mr Radius Prawiro, the senior economics minister.
This is expected to streamline
approvals and speed up project
implementation.

implementation.

UK officials say the latest protocol provides for much greater flexibility. There is no fixed project list, which avoids the risk of tying up funds for schemes which sometimes never get off the ground. This happened with the largest project under the first soft loan—a £48m rural electrification scheme where Northern Engineering Industries was the designated supplier. A letter of intent will be initialled once project negotiations have

intent will be initialled once project negotiatious have reached an advanced stage.

The UK also appears more amenable on local ruplah financing – British funds provided for Indonesian project costs, such as labour. One official said financing would be limited to 10 per cent of total project costs, on a case-by-case basis. In practice the UK, like other donors, is concerned to maximise the British content on any project. on any project.

Power is identified as a key sector with PLN, the state utility, set for a \$4.5bn expansion in the current five-year plan m the current rive-year plan

— 83 per cent of which is to be
financed by foreign aid.

The UK is also eyeing water
and hospital projects and part
of the Jakarta railway which
the Japanese are also funding.

Brussels eyes Moscow trade deal

Some confusion remains

over the tendering pro-cess – whether projects should be subject to limited tender.

which Indonesia helieves results in more competitive pricing, or awarded to single

By David Buchan in Luxembourg

yesterday gave the European Commission a formal mandate to start trade negotiations with the Soviet Union.

One of the Community's goals is for a trade accord that

would gradually scrap all EC quotas on Soviet imports in return for Moscow giving Western businessmen more

information on, and access to, the Soviet market. The other aim is economic co-operation in a dozen sectors, including energy, transport, environment, technical standards, nuclear safety, science and technology. The EC reached trade accords with Hungary and Czechoslovakia last year, and negotiations

with Poland and Bulgaria are

with Poland and Bulgaria are already in train.

To bolster East European reforms, EC Ministers have indicated to the Commission they would like speedy negotiations, particularly with Warsaw and Moscow. But a deal with the Soviet Union is not expected before the end of this expected before the end of this

understanding at the Paris Air show providing for them to share work on the develop-ment and production of the advanced version of the The two companies plan to update the Apache helicopter

Westland, McDonnell link up for £1bn deal

would involve up to about 150 land/McDonnell Douglas agree belicopters initially. The army itself favours the Apache, and the Commons Defence Committee recently

added its support.

The UK Ministry of Defence has insisted that whichever aircraft is eventually chosen, a substantial amount of the development and production must be undertaken in the UK, and it is to meet that require-ment that the Westian Agusta A-129, have been and it is to meet that contending for an order that ment that the

ment has been signed. Westland already has a stake Westland already has a stake in the European group, Joint European Helicopters, including also Agusta, Fokker of The Netherlands and Casa of Spain, to develop an advanced version of the Agusta A-129, the Tonal.

With the agreement with McDonaeli Donelas, Westland

McDonneli Douglas, Westland has thus ensured that which-ever aircraft is chosen, it will

other British companies. including Rolls-Royce with its new RTM-322 engine, and CEC and Ferranti on avionics and other equipment, are expected also to share in the helicopter deal, whichever aircraft is cho-

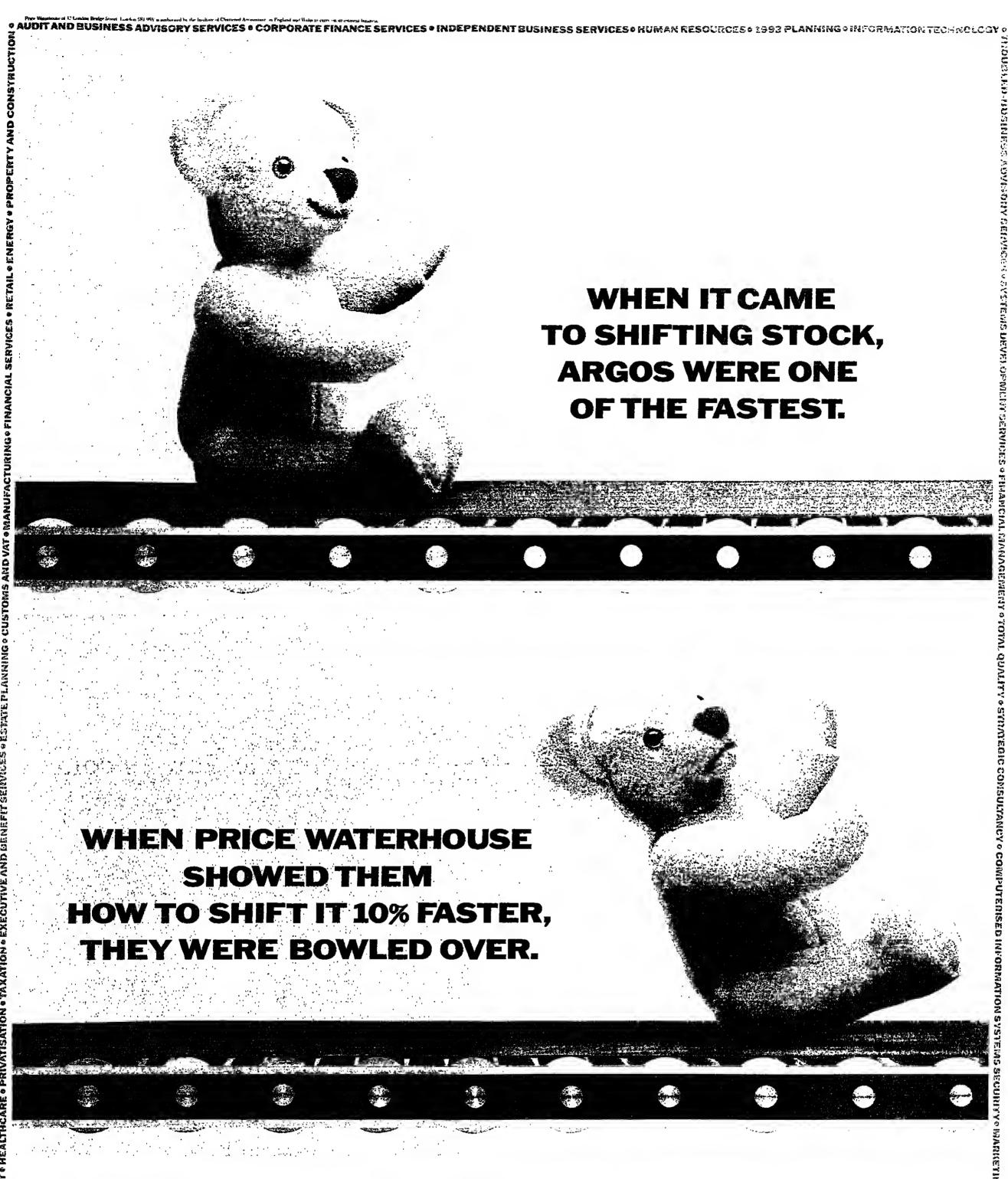
have a major share of the work

 British Airways has taken options out on 20 Canadair Regional Jets worth C\$35m Regional Jets worth Cassin and a commitment for a similar number has been confirmed by Alisarda SpA, a European airline. The order books for the 50-seater RJ is now 96 units, including firm orders and options.

First deliveries are due in 1992 and some component pro-duction prohebly will he shared with Short Bros of Belfast, now being acquired for C\$60m hy Bomhardier, Canadair's parent company in Moo-

Minister's economic council said the country had made considerable progress in shift-ing the source of economic

big retail shop law should be reviewed and possibly



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FT LAW REPORTS

Currency exchange loss is not tax deductable

BEAUCHAMP v F.W. WOOLWORTH PLC House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Ayimerton and Lord Goff of Chieveley):

June 8 1989 CURRENCY exchange losses incurred by a UK retail trading company on loans from a foreign source are non-tax deductible capital losses, not losses on income, if the loans, though used to alleviate short-term trading problems, were not fluctuating and temporary, but were for a defined long-term period and constituted an increase of capital during that period.

The House of Lords so beld when allowing an appeal by the Inland Revenue from a Court of Appeal decision (1989)

i WLR 57) that currency
exchange losses incurred by
F.W. Woolworth plc were
losses on income, and restoring
Mr Justice Hoffmann's order that they were capital losses and were therefore not deductible from income profits for tax

LORD TEMPLEMAN said that Woolworth was resident in the UK and carried on its retail trade through chains of shops. In 1971 it borrowed SFr 50m repayable in five years. It converted them into sterling. In 1976 it purchased SFr 50m and repaid the loan.

SFr 50m and converted them into sterling. In 1977 it purchased and repaid SFr 50m.

As a result of a fall in the value of sterling in relation to Swiss currency, Woolworth incurred a currency exchange

ing profits were deductible for income tax purposes. Expenses incurred in capital transac-Income and Corporation Taxes Act 1970 section 130(f)). Woolworth claimed that its

loss was deductible, as reve-nue, from its retail trade profits. The Crown submitted the loans were capital transac-

The special commissioners found in favour of Woolworth. had misdirected themselves in

restored their order on the grounds that the question was one of fact, and that the facts found by the commissioners were not such that no person acting judicially could have concluded the loans were revenue transactions. The Crown

appealed.
The weight of authority supported the view that the question whether transactions were of a revenue or capital nature was a question of law to be determined in the light of the facts found by the commissioners, and that a trader who borrowed SFr 100m for a fixed period of five years thereby enlarged the capital employed in the trade.

In Strick v Regent Oil [1966] AC 295 Lord Reid said the question whether lump sums. paid in relation to a petrol tie were revenue or capital was "ultimately a question of law for the court but . . . must be suswered in the light of all the circumstances which it is reasonable to take into account."

On principle and in the light of judicial pronouncements, the question in the present case was one of law, and was

rightly so dealt with by Mr Justice Hoffmann. A trading company of this type could only earn profits if it provided for the payment of trading expenses and for the receipt of trading revenue. Temporary and fluctuating becoming the provided in transportant of the payment in transportant in transporta borrowings incurred in transacting business were revenue transactions.

on the other hand, a trading company which borrowed unconditionally a fixed amount for a definite period might use the money generally for the purposes of its business or for any other purpose authorised by its constitution. Even when the money was employed in In 1972 it borrowed a further loss of fill-tro. the money was employed in the business it might be laid out on income expenditure or Expenses incurred in earn-

capital expenditure. The commissioners found that Woolworth intended to use the SFr 100m to overcome a difficulty which was hoped to be of short duration, and which was caused by the fact that stocks were high and trade depressed.
But there was nothing to

stop it from spending the whole or part of the money on capital items, and indeed part was spent on capital item The SFr 100m, worth some

law. The Court of Appeal \$10m, were available to Wool-restored their order on the worth as additional capital. Its capital was increased by £10m in 1971 and 1972. It was true that the £10m was loan capital, but it was capital nevertheless.

It was not income. The authorities did not support the proposition that a borrowing of a definite sum for a fixed term of five years would be an income transaction. In Vallambrosa Rubber (1910)

STC 529,536 the Lord Pres said "it is not a bad criterion of what is capital expenditure as against what is income expenditure to say that capital expenditure is a thing that is going to be spent once and for all, and income expenditure is a thing that is going to recor

every year."
Similarly, in a rough way, it was not a had criterion of what was capital borrowing as against income borrowing to say that capital borrowing was a thing that was going to be borrowed once and for all, and income borrowing was a thing that was going to recur every

transaction if it was part of the ordinary day to day incidence of carrying on the business. It was not an ordinary incident of marketing unless, as the authorities showed, it was temporary and finctuating and was

incurred in meeting ordinary running expenses.

The special commissioners said the issue was whether the borrowing took place in such circumstances that the borrowed manies were at addition rowed monies were an addition to the company's capital resources, or formed part of its day to day activities in the earning of profits.

That question only permitted one answer: the borrowing itself did not form part of the day to day activities in earning

The special commissioners came to the contrary conclu-

found the loans were arranged to tide Woolworth over a short-term problem, namely the failure of its trading activities to generate sufficient cash flow to cover its day to day

Mr Justice Hoffmann cor rectly reversed the special commissioners. He said that for attaching importance to what Woolworth sought to do rather

than to what it actually di the commissioners misdirected themselves. The fact that the object of borrowing was to deal with a temporary shortage of cash was irrelevant if the solution actually adopted was to make an addition to Woolworth's liquid resources suffic ciently permanent to be regarded as an accretion to its

fixed term for repayment or the term was of a borderline nature, the use to which the money was put might throw some light on whether it was an accretion to capital. But The terms of the loans were sufficient to make it clear they constituted additions to exp tal, and it did not matter whether they were to be employed in the making of payments of a revenue or capi-

The Court of Appeal rightly accepted that "the basic princi-ple in regard to loans is that if they are a means of fluctuating and temporary accommoda-tion, they are to be regarded as revenue transactions and not accretions to capital."

But it accepted Mr Park's argument that the nature of the advantage to be acquired by the transaction was the fortherance of trade over five-year

Woolworth's trade was for

thered over a five-year period by an increase of capital dur-ing that period, and not by finctuating and temporary accommodation. It made a loss of £11.4m, but it was a loss in nnection with a capital Unfortunately the capital gains legislation did not apply

to a currency exchange loss as an allowable loss. It was understood that the legislation was

As the law now stood, the ppeal should be allowed. Mr Justice Hoffmann's order was restored. Their Lordships agreed

For the Crown: Christopher For the Crown: Cartstopper McCall QC and L. Henderson (Inland Revenue solicitor) For Wookworth: Andrew Park QC and David Goy (Lovell

Rachel Davies







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Frachet.

n the 1960s, Rolls-Royce expected to make and break about 20 develop-mant aero-engines while its revolutionary RB-211. Today it breaks only seven or eight. Tomorrow, it could be as few as five, forecasts Stewart Miller, director of corporate

engineering. "We're trying to have our failures in the computer."

Keeping control of research and development costs is one of Miller's main responsibilities. Rolls-Royce spends about £300m a year on R&D and Miller manages the research through two directors who run their own laboratories but report to him for R&D. One is responsible for design, the other for manufacture.

Miller believes that the future of aero-engine development lies in integrating the functions of designer and maker - to the extent that their boundaries hlur. As he sees it, the development phase of an aero-engine corresponds with the development phase of a drug. But instead of clinical triple to prope efficient and trials to prove efficacy and safety, the engine maker is concerned with certification proving performance and

safety. A maker of aero-engines can define his R&D objectives pre-cisely. He can look ahead, perhaps 20 years, specify the per-formance be wants to achieve and then write down the engine temperatures, thrust-to-weight ratio and other factors which are required to get there. Miller calls it right-toleft planning" — a process of working backwards systemati-cally from what is wanted.

The R&D cycle for a new engine, from design concept to full certification, can be 10 years or more and can cost 2500m. Up to six years is spent preparing the ground for engine development by acquiring the technology — such as materials and manufacturing — needed to demonstrate the

engine'e performance. But once the project is given the go ahead, says Miller, the level of risk must be low. If development engines start failing in unexpected ways, it can he very expensive to back-track. There are five years of engine development, with the heaviest costs falling in years

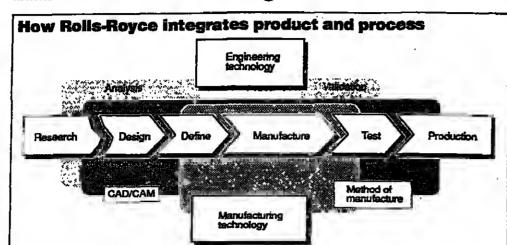
two to four.

Miller says that Rolls-Boyce learnt a vital lesson in R&D management when the company collapsed in 1971. "We had been jumping into full development before we want development before we were ready."

After the crisis, Rolls-Royce stepped up expenditure on

Confining the failures to the computer

David Fishlock explains how design and manufacture are becoming blurred



what is called "advanced engi-neering" - the R&D done before any formal commitment to a new engine design. This was increased from the 5 per cent allocated to the initial RB-211 programme to 20 per cent of the R&D budget.

The longer-term response was to use the rewards of the increased advanced engineering to reduce the number of engines consumed in the traditional test/failure/redesign/re-test cycle. The goal is to under-stand enough about the behaviour of the "group A" components in particular the ones which can endanger an aircraft if they fail - to allow a computer to simulate the process of pushing them to their limits.

The fuel bill alone for running engines on test comes to £1m a year. "Although running a supercomputer can also be expensive," Miller warns

Derivative engine pro-grammes also help to cut the cost and risk of new engines by making extensive use of proven components and mod-ules. Miller hopes that its RB-211-524-L derivative, scheduled to enter service in 1993, will need no more than six development engines for certification. An illustration of how R&D, design and manufacture are melding is found in the hollow

titanium fan blade which is a

pivotal component of the 524-L engine. This composite struc-ture was designed by the team headed by Phil Ruffles, director of engineering design (now technical director), and made by Trevor Broughton, director of manufacturing engineering.

The idea is to stretch this particular component to new limits. To draw in enough air to achieve extra thrust, this blade has to be four inches longer than any made previously by Rolls-Royce's composite materials technology. Although it has been using blades of this kind in service for nearly five years, no one has managed to copy the design, the company claims.

What Rolls-Royce keeps a particularly close secret is how the composite of thin titanium the composite of this trianium skins enveloping a metallic honeycomb is bonded into a high-performance part. For the 524-L engine, it is working on a lighter honeycomh of enper-plastic titanium.

The standard way of testing this blade is to fire a flock of 1.5 lb gelatine "birds" into an engine fan at 160 knots to simulate the way the full-thrust of the engine sucks in birds at take off. However, a computer simulation of the way the composite material behaves under violent impact shows remarkable correlation with reality, confirming that although the

hollow blade will be bent, it will not split.

Such computer simulations of component behaviour are making the traditional boundmaking the traditional pointi-ary between design and manu-facture increasingly artificial, says Broughton. Integration of the two is a main thrust of his manufacturing R&D. He believes that technology for technology's sake is a thing of the past. The starting point must be a clear definition of need, he says. "A lot has gone wrong by concentrating on the technology."

As head of manufacturing technology under Bronghton, David Alexander is modelling the behaviour of the material during manufacture, just as Phil Ruffles models its behav-iour in service. Alexander has computer simulations of such processes as isothermal forging, a way of massaging excep-tionally strong materials con-taining ceramic particles into engine discs and blades. Casting and heat treatment pro-cesses have also been simn-

"It puts the science into manufacturing," says Alexan-der. "You do as much as you can without doing it for real." He has worked closely with the Inco subsidiary, Doncasters Monk Bridge, to develop the isothermal forging model and reckons it can cut the time for

introducing a new disc material from two years to four months. One day he hopes to do simulations in 48 hours.

Alexander has placed a research contract with Way.

research contract with Warwick University to research the integration of design, materials and manufacture for new ceramic materials, which Rolls-Royca believes are needed to reach the military engine performances required ever the next 20 years. The company will second scientists to the university to work in a jointly owned laboratory it is funding while the university will train a new multi-disci-plinary breed of engineer.

As Miller sees it, in the last decade the universities have taken a very different attitude towards Rolls-Royce's prob-lems. They are hungry, he

explains drily.
"Research clubs are the thing," Alexander believes. He wants to involve universities and suppliers such as Inco in this integrated approach to design and manufacture, starting with the more expensive materials and parts of an

So highly does Miller rate the importance of integrated design and manufacture that he has set up a corporate project in parallel with his engine projects. He asked Chris Webber to run the computer-sided engineering and manufactur-ing (CAEM) project just as he would run an engine project.

Miller wants CAEM to tie together the two main strands of Rolls-Royce's R&D. CAEM

of Rolls-Royce's R&D. CAEM starts with the performance required of a future engine programme and works backwards to achieve integrated design and manufacture — his "right-to-left planning."

Webber has a budget of up to film and controls about 150 engineers throughout the company, working on both civil and military engine projects. He began the CAEM project four years ago with a big but unco-ordinated corporate body of experience in computeraided design and computeraided manufacture.

aided design and computer-aided manufacture.

The watchword, says Web-ber, is "righter first time." Fan hlades have been a particularly difficult challenge. They are probably the most unstable part of any aero-engine and they push materials so close to the limits that the design often needs to be changed at the

development stage.
All the same, this year Webber expects to put in operation an integrated approach to the design and production of fan blades that is demonstrably quicker and cheaper than cur rent practice.

Savings on messaging

OCTAGON Telecommunications Services, which has produced a comprehensive cost assessment of electronic messaging and concludes that both facsimile and electronic mail are much cheaper than telex.

The assessment is contained in issue four of the London company's Guide to Telecommunications Tariffs. Telecommunications larms.
John Hunter, the editor, says
that based on total costs,
including terminals,
accommodation, and operator
time, telex is around twice
as expensive as facalmile or
electronic mail. "We have

tested this result against varying message lengths and traffic levels for destinations in the UK and around the ask themselves how much

ask memsaves now mach money they are wasting through the use of telex." Octagon also comperes the charges of the main suppliers, which are British Telecom, Mercury, Comet, Easylink International and One-to-One. There are sharp differences, but the comparisons are highly dependent on the circumstances of the user no supplier was the cheaper or most expensive in all 69 cases examined. Mercury was

the cheapest supplier in 30 cases. Use of the wrong supplier can add as much as 50 per cent to costs.

Alex Reid, main author of the guide, says that this area is "a minefield for the unwary

There are many components of cost, and pricing structure ditter widely, particularly for electronic mail. We have developed a logical framework which cuts through this complexity and delivers simple conclusions."

Rescuing paint from sludge

HADEN Drysys, a newly formed UK company which is part of the Haden MacLellan Group, has developed a means of developed a means of recycling the paint sludge that arises in large spray paint shops, perticularly in the motor industry. Typically only about half of sprayed paint lands on the car. The rest is thished away

with water. Then the water is removed to leave a studge. Normally this studge, which contains toxic heavy or

WORTH WATCHING

Edited by **Geoffrey Charlish**

and solvents, is dumped into landfill sites where it can leach into ground water. Each year 110,000 tonnes of the naterial is disposed of in

Europe alone. The new company will put in plant to harn the studge into powder that can be used again in paint production. It will retain ownership of the plant, operate and maintain it, and charge the vehicle company about £2 a car. The system can be used to treat other industrial studges.

Known as Drypure, the system consists of equipment to handle studge and dry powder, a drier, dust extractor, tume incinerator The new company will put

extractor, tume incinerator and heat exchangers. All the and next exchangers. All the volatile hydrocarbons and moisture are driven off and all the residual point resins are cured, safely encapsulating any metals, such as leed and chrome,

and reducing their leach rate.
The gases are burnt to give a clean, odourless discharge, the resultant energy being used, via heat exchangers, to heat the drier.

Movement on a weighty problem METHODS for weighing heavy goods vehicles automatically, while they are traveiling on public roads, are being developed at the UK Government's Transport and Road Research Laboratory

(TRRL). The prevention of overloading is seen as assential in order to stop excessive weer on roads and bridges. At the moment, statistics on overloading are gathered during routine weight checks and random surveys in which the vehicle is usually directed to a weigh station off a main road. Alternatively, portable

weighing pade can be placed in treat of the wheels and the driver instructed to drive on to them. TRRL says lied such methods are costly and limited to a few alles where HGVs can be stopped safe They can only be carried out during the day.

Drivers can avoid detection by taking alternative routes. Enforcement officers tend to select obviously suspect vehicles, distorting overall.

Automatic devices built inn the road could provide date cheaply and unobtrusively, 24 hours a day, without stopping the vehicles. The information from such systems could be used to deploy enforcement officers efficiently, at times and place where overloading is most serious. In addition, the equipment could be linked to unattended systems that could bar overloaded forties

could her overloaded lorries from crossing a weak bridge, TRRL, is working on every of improving the accuracy of in-motion weighing, which has calibration problems and tends to exaggerate the number of vehicles that are overloaded.

Tailored to the uninitiated

CHOOSING the right me remains the single biguest problem facing inclinituals and small businesses purchasing a computer. Help-for the uninitisted is seldern forthcoming from the computer press, which clear, speaks a language of its cens. The problem is deaft with in plain English and plain proposed by a 46-minute, 249.45 video from Taylor Made Films, of London; Provided that the viewer bas

a clear idea of what he wants his personal computer to do, this video will probably narrow clown the photos to two or three machines. its merit is that it contains.
The essential jurgeon and the basic functions of a contestion including the effects of the different processor chips in "

and floppy discs, and the levels of display detail available in colour and it also covers the outlets where the machines can be bought.

CONTACTS: Octagon: London, 636* 1991. Haden Oryaya: 0438 314300, TRRL: UK, 0344 770587, Taylor Made Distribution: UK, 051 708 8202.



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railwaymen vote to strike

By Charles Leadheater, Labour Editor

LONDON faces the prospect of bers. However NUR officials the worst transport disruption for seven years after the National Union of Railwaymen yesterday announced that its members at British Rail and London Underground had voted heavily in favour of industrial action.

The strikes at British Rail (BR) are likely to be national, ecriously disrupting the network's inter-city, parcels and fright services.
But the union's executive is

planning to co-ordinate these national strikes with 24-hour stoppages on London Underground which would affect the half million people who commute into the capital each working day. This would create the most severe disruption since simultaneous strikes in since simultaneous strikes in

The NUR'e national executive committee is expected to announce its plans for indus-trial action on Wednesday. It is unlikely the union would call industrial action before the end of next week when Aslef, the train drivers' union, is due to announce the outcome of an

said it was unlikely the union would wait for Aslef to decide

what action to take.

The NUR's 75,000 BR members voted by 34,988 to 15,762 for an overtime ban and by 29,675 to 20,704 for 24-hour strikes, over BR's imposition of a 7 per cent pay award and plans to end centralised national pay bargaining.

The NUR's 2,000 drivers and guards at London Underground

voted 1,264 to 116 in favour of strike action over a 10.5 per cent pay offer linked to the introduction of driver only The union's 10,000 other

members at London Under-ground voted 4,362 to 1,009 for strikes over the management's Action Stations plan for pro-motion procedures based on merit rather than seniority and more flexible working prac-

This four-to-one majority for strike action was significantly lower than the original ballot on the issue, held in April, which returned a seven-to-one majority for action. The High Court last month ruled the first ballot invalid because the ballot paper was worded impre-

Mr Jimmy Knapp, the NUR's general secretary said the union had a clear mandate for industrial action, which showed there was widespread opposition to both corporations' plans to impose changes in working practices. He called for further negotiations.

The rail unions will meet

London Underground on Friday for talks on Action Stations and driver only trains. NUR leaders will today meet their counterparts at Aslef, the TSSA, white collar rail union and the Confederation and and the Confederation and Shipbuilding and Engineering Unions to seek their support. It has already signalled its willingness to alter its proposals on flexibility between drivers and guards, which have provoked a series of unofficial strikes by Aslaf drivers over the past five weeks.

Meanwhile leaders of 19,000 London bus workers are due to meet London Regional Transport tomorrow for talks over

port tomorrow for talks over its 8.1 per cent pay offer. Union leaders have warned they will call 24-hour strikes unless the

Transport chaos looms as |Lords hearing clears Lonrho of contempt

By Richard Donkin

conglomerate, yesterday promised to continue its attempts to expose what it termed "a serious fraud on the British Government" after it was finally

cleared of contempt of the House of Lords. It had faced the accusation because of publication of a spe-cial midweek edition of the Observer newspaper - owned by the group - on March 30 which contained extracts from a leaked Government inspector'e report on the takeover of the Honse of Fraser by the Egyptian Al Fayed brothers. The edition was published shortly before a hearing in the

shortly before a hearing in the Lords of a Lonrino appeal for the report to be published.

Lord Bridge, presiding at yesterday's hearing with Lords Goff and Jeuncey, said it had been unanimously decided that no case had been made for contampt. Reasons for the decision

LONRHO, the international will be given to the House of conglomerate, yesterday prom-

Sir Edward Du Cann, chair-man of Lonrho, said he was delighted the company had been vindicated. Speaking on behalf of the Lonrho hoard, he added: "We are delighted that the courts should have approved our endeavours to see that a serious fraud on the British Government was exposed. We shall continue our endeavours to expose it in the

public interest. Mr Donald Trelford, editor Observer, described the pro-ceedings, estimated to have cost £1m, as a "ludicrous waste of time and money."

The controversial edition of the Observer was halted by a

Department of Trade mjunction after 280,000 copies had gone on to the streets. It was published 11 days before five Law Lords, headed by Lord Keith, heard Lonrho's final attempt to force Lord Young, Secretary of State for Trade and Industry, to publish his inspectors' report into the takeover of House of Fraser by the Fayed brothers. House of Fraser owns the prestigious

London store Harrods. The original committee of Law Lords, the highest UK court of appeal, which initiated the contempt proceedings, dismissed that final appeal last month. It said at the time that Lonrho had been guilty of bul-lying and intimidating tactics.

Announcing the decision yesterday, the fourth day of the hearing, Lord Bridge said he would look at written legal submissions by counsel for Lonrho and its directors claiming defence costs from the Treasury.

Because the case was presented by a "friend of the court" no precedent exists for award-ing such costs, which for the defence are believed to

approach £500,000. Earlier all those named in the case, the four directors of Lonrho - Mr Tiny Rowland, chief executive, Sir Edward, Mr Paul Spicer and Mr Robert Dunlop, with two lawyers and Mr Trelford, were told they would not be required to give evidence in the hearing.

Lord Bridge said it was not ppropriate to hear cross examnation in the case.

Mr John Laws, Treasury counsel, prosecuting, told the hearing yesterday that he wanted to question Mr Rowland about a "snrprising account of events" on the two days before the secret DTI inspectors report had been delivered anonymously to Lonrho's officers.

Did Mr Rowland have the report earlier, "contrary to his evidence?" asked Mr Laws, and Was he already seeking to

prepare the ground for his use of the report partially in the

context of the court? Mr Laws disclosed in opening the hearing that Mr Row-land had explained in an affidavit the reason for a meeting he held with legal advisors about House of Fraser the day before the report appeared on

According to the affidavit.
Mr Rowland had wanted to ask his lawyers for their views about receiving confidential documents because he thought that bank statements of Swiss accounts operated by the Al Fayed brothers relating to the purchase of House of Fraser would shortly become avail-able to Lonrbo.

Mr Laws said he also wanted

to question Sir Edward, who had said in his affidavit that the decision to publish had been taken in the public inter-

Lawyers go

over Clowes

LAWYERS representing Mr Peter Clowes, the former chief executive of the falled Barlow

Clowes investment group, are planning to go to the High Court in a bid to prevent the £1,000 a week he receives from being blocked.

For the past year Mr Clowes has been paid the money from the liquidators of Barlow

Clowes, which collapsed owing investors \$138m.

investors \$138m.

The money has been paid under a 12-month agreement between Mr Clowes and the liquidators. In return, Mr Clowes agreed to help the liquidators, and assigned an estimated £25m worth of personal assets to them.

Shorts wins order

to court

payments

In Brief

Dock stoppage spread limited

By Jimmy Burns, Labour Staff

THE unofficial docks strike spread to more ports yesterday but fell well short of the militant shop stewards.

By last night over 3,400 out

of 9,400 registered dockers in 12 ports were on strike – just 100 more dockers on strike than at the weekend. While most dockers in Til-

bury, east of London, and Liverpool, north-west England, remained on strike, more than 600 dockers at Southampton, on the south coast, voted at a mass meeting to continue

Local workers at the northeastern port of Hull, which employs more than 600 dock-ers, also stayed at work.

Senior managers at the Port in a display of union disci-of Southampton said last night pline. that they hoped that the local workers' decision not to strike

and General Workers' Union, Britain's biggest, said that those dockers who had decided

to go on working had done so

Mr Ron Todd, the TGWU's general secretary said thet registered workers who conwould pave the way for local talks before the abolition of the Dock Labour Scheme, which guaranteed dock work-ers a job for life, is passed into tinned striking were "wrong" and urged them to wait until the union had "freed" itself from the "legal shackles." law next month. Mr Ian Dale, public affairs manager of the National Asso-

The TGWU's national executive voted on Friday last week not to change a policy of refraining from calling an offi-cial strike of registered work-ers until cleared to do so by ciation of Port Employers (NAPE) said: "It looks like a bit of a damp squib. Clearly the call for the strike to be extended today was pointless." Officials of the Transport the High Court.

The TGWU's appeal against a Court of Appeal's ruling which stopped the strike from proceeding is be heard in the House of Lords next week.

Hypo-Land

Yoghurts linked to botulism outbreak post as junior health minister

BRITAIN's food industry and Government were yesterday faced with another scare over food hygiene after an outbreak of botulism polsoning in Lan-cashire, north-west England. The Department of Health warned people not to eat any brand of hazelnut yoghurt after 10 people, including five children, became seriously ill after eating contaminated

The products were believed to have been contaminated by hazelnut purée, manufactured by Youngs Fruits, a privately owned cannery in Kent, south-

ast England.
The ontbreak of botulism poisoning, which can be fatal, is the latest scare in a year when food poisoning cases are

The Government has pre-viosly alerted the public to the dangers of salmonella contami-nation of eggs and listeria infection in some cheeses and ready prepared meals.

Controversy in Britain over food hygiene reached a peak earlier this year when Ms Edwina Currie resigned her

NUPEMBERG

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after having claimed that "most of Britain's egg produc-tion was contaminated with

Mr Kenneth Clarke, the Health Secretary, commenting on the latest outbreak said: "It could potentially be tragic. It is very serious." Supermarket chains have

began destroying all their stocks of hazelnut yoghurts after the warning was issued and producers of leading brands, including Eden Vale, have ceased production of their

own hazelnut brands. However, it said the brand was made from nnt pieces rather than puree, and the materials were bought from a different supplier to that impli

cated in the present alert.
Sainsbury's, Britain's biggest
supermarket group by turnover, withdrew all its hazelnut
yoghurts from the ehelves, but
a spokesman added: "We do
this despite the knowledge that all our yoghurts on sale are perfectly safe."

The Department of Health

said the clinical diagnosis of

botulism was yet to be con-firmed by laboratory investiga-tions. These are underway.

The Department said infor-mation suggested a probable link with the use of a particu-lar hazelnut purée in the pro-duction of some yoghurts.

The purée, said the Depart-ment, was manufactured by Youngs Fruits, of Folkestone.

Youngs Fruits, of Folkestone, Kent. Yoghurt made with this puree was manufactured by two local dairies in the North West. They were Acom Foods, of Preston and Forshaw Littletown Farms, of Langridge All of the hazehout yoghurt pro-duced by these two companies has been withdrawn from sale. The Department said that a hazelnut yoghurt, probably

manufactured by a different company, may have been implicated in one case in Old-ham. It was in view of this new ham. If was in view of this new development, and as the situa-tion was not yet clear, that it was advising for the time being that the public should not eat any brand of hazelnut yoghurt. Department of Health and Ministry of Agriculture staff were last night carring ont tests at Yomes Fruits.

tests at Youngs Fruits. Mr Ken Davy, the technical manager of Youngs Fruit, said: "The company was contacted by the environmental health department, as no doubt other "We know that tests are

being done to try and trace the source of the problem."

Demanding tastes raises the pressure on food industry

Chris Parkes on problems of food supply

HE catalogue of consumer demands on the food industry has mounted steadily as British eating habits have become more sensitive to the vagaries of fashion, the influence of political, health and animal welfare lobbyists, and the lin-gering after-effects of eating exotic foods on foreign holi-

days.

Many shoppers now demand less fat, salt and sugar in their food. They want more choice with fewer additives; more fresh food, less processed. They denounce irradiation as a preservative technique and clam-our for fibre. They say "yes" to swordfish and "no" to whiting;

crave convenience and ecorn slaving over a hot stove. This has sparked a process of rapid and complex change in the food business which has tended to outstrip the ability of the regulatory authorities and certain sectors of the food

trade itself to keep pace.

Partly as a result of this change, and partly because people and the media have become far more sensitive to issues relating to food, Britain appears to have been over-taken by an epidemic of foodrelated ailments.

Last year's salmonella scare over eggs had hardly faded when listeria in prepared meals became an issue. The debate has yet to die down. Academics continue their pub-Academics continue their public discussions, the Government makes vague attempts to tighten regulations, and journalists scrabble in medical textbooks and esoteric journals books and esoteric journals hunting down new bugs which may be lurking in the lasagne. The relative demerits of more than 2,000 types of salmonella, campylobacter jejuni, bacillus cereus and E. Coli have been discussed at length. But there had been hardly any mention of clostridium botulinum, the agent responsible for the current outbreak of poisoning in Lancashire, in north-west England.

Botulism is extremely rare

Botulism is extremely rare in industrialised countries, and since it is generally contracted from infected canned foods, and not the fresh and chilled produce which have drawn so much attention in recent months, it was not properly relevant to the debate.

But the outbreak, apparently originating in cans of bazeluut purée, is certain to rouse more passionate discussion and more demands for tighter controls on the food industry.

So far, the Government has been reluctant to take rigorous action of any type. Last month it announced a handful of modnated measures including pro-posals obliging retailers to invest in new chilled food cabinets to ensure produce was kept at safe temperatures, and increased powers for environmental health officers.

But the process will be cumbersome. Consultation papers

have first to be scanned and considered by the retailers, and powers to allow food inspectors to check food factories would have to wait until there was time to introduce the neces-sary legislation, Mr John Mac-Gregor, Agriculture Minister

Demand for a more varied diet has drawn more fresh and processed foods into Britain from far-flung corners of the world where production and health controls may be scanty at best. Fresh tropical fish and fruits are flown in regularly and are now commonly avail-

able in supermarkets.

The demand has also led to the creation of many hundreds of small food manufacturers, or small food manufacturers, making mainly fresh products such as sandwiches, baked goods and ready-to-eat meat. While the larger manufactur-ers with established bealth controls and reputations to protect produce these goods for the leading retail chains, there are many smaller companies working within local distribu working within local distribu-tion areas, supplying service station shops, confectioners and similar small outlets. According to consumer mag-azine Which? published by the Consumers' Association, a third of sandwiches bought in

corner shops contained E. Coli, a bacterium associated with faecal contamination.

Short Brothers, the stateowned Belfast aerospace com-pany which is now being sold to Bombardier, the Canadian transport group, has won a £50m order from Rolls-Royce

for engine cowlings.
The cowlings will be for the Rolls-Royce RB-211-524L engine, now renamed the Trent, which is being developed for aircraft such as the Airbus A-330.

BMA fights reforms

The British Medical Association yesterday stepped-up its campaign against the Governpent's health reforms in advance of a meeting with Mr Kenneth Clarke, Health Secre-

tary, tomorrow.

BMA leaders plan a series of 30 public meetings around England, Scotland and Wales to provide more information about the association's concerns over the Government policy document Working for Patients, which proposes self-governing hospitals.

Labour tunnel move Britain's opposition Labour Party is to hold an alternative public hearing into the proposals for a high-speed rail link between London and the Channel Tunnel, it was announced yesterday.

Labour claims the hearing will provide a public focus for criticism of British Rail, the state-owned railway eyetem

state-owned railway eyetem which came under attack for failing to consult residents facing disruption by the building of the new rail link.

London traffic slows Road congestion has slowed London traffic to less than 12 mph, according to the Depart-ment of Transport. Latest fig-ures showed morning traffic in London in 1987-88 averaged just 11.8 mph.

Robson stays on

England soccer manager Mr Bobby Robson said he would not resign over newspaper alle-gations that he had an affair with a divorcee. He refused to confirm or deny the reports and said: "I have not been asked to resign."

GEC to close torpedo plant

By Terry Dodsworth, Industrial Editor

THE GENERAL Electric Company (GEC), Britain's lead-ing defence electronics contractor, is closing its torpedo com-ponent manufacturing plant at Farlington in Hampshire with the loss of about 420 jobs.

in submarine warfare. Con-tracts to build Tigerfish's replacement, the Spearfish, are going out to tender, and no production contracts will be awarded on it until 1991. Marconi Underwater Systems, the GEC subsidiary

which runs the Farlington plant, is aiming to redeploy 100 of the redundant workers. About 50 jobs will be offered employment at its nearby Waterlooville factory, and a further 50 at its Neston assembly facility in Cheshire. Marconi, which employs about 3,500 in its underwater

about 3,500 in its underwater systems division, is at present Britain's sole supplier of heavyweight torpedoes. The Ministry of Defence has recently been trying to stimulate competition in this sector by encouraging other suppliers, and Plessey, the electronics group which GEC has been trying to acquire, has

expressed interest in re-enter-ing the business. Marconi said it remained confident about its chances of winning the main production contract for the Spearfish, which it has already manufactured on a development con-tract basis. However, the pause in manufacturing at Farlington meant that it could not keep the unit going.

The Farlington plant makes the main electro-mechanical parts for the Tigerfish, which is assembled at Neston. If GEC wins the Spearfish contract, these components will be manufactured at either Neston or Waterlooville. Waterlooville.

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UK NEWS

Inflation pressure eases; spending trend still down

Retail Sales

Seasonally adjusted 1985-100

The seasonally adjusted index of retail sales volumes stood at 123.9 (1985=100) in May compared with 120.9 in April. The value of sales was

£8.38bn - 9 per cent higher than May 1988.

Alice Rawsthorn adds: Retail groups selling products for the home, such as carpets and furniture, face slower sales

growth and pressure on profits due to the impact of higher

nterest rates on spending. A study from the Corporate

Intelligence Group, suggests that the home products retail-ers should muster some sales

growth this year, Corporate Intelligence dis-

agrees, however, with the pessimistic predictions that sales of costly items – such as carpets or three piece suites – will fall because of the slow-

and the pressure on personal

Big retail sales jump for May surprises City

A UNEXPECTEDLY large jump in official retail sales fig-ures for last month, yesterday suggested the slowdown in UK consumer spending may have been temporarily reversed.

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it is being

Coun

EAR ELAPTIC MIT

Retail sales volumas increased by a provisional 2.5 per cent in May after adjusting for normal seasonal variations, the Department of Trade and Industry said. That was the biggest monthly rise for more than two years

122 120 / V 1 118/ than two years.
The size of the rise surprised analysts and more than reversed a 14 per cent fall in April However, the underlying trend continues to point to a marked slowdown since last

in the three months to May, in the three months to May, the level of sales was 1% per cent higher than the previous three months. Compared with the corresponding three months a year before, sales were less than 4 per cent higher – down from peaks of 7 per cent last year.

May's sales are likely to have been boosted by excep-

have been boosted by excep-tionally sunny weather which encouraged shoppers. April's figures could have been distorted by problems in accounting for the earlier-than-usual

Easter.
Since last year, retail sales growth has been hit by the growth has been hit by the steep rise in mortgage rates. However it is likely most of the effects have now fed through and last month's figures may reflect consumers re-adjusting spending patterns, Retail sales account for about 40 per cent of total consumer spending.

Factory prices show slowdown

By Our Economics Staff

SIGNS OF a mild weakening in inflationary pressures came in official figures yesterday, showing a slowdown in the rate of increase in factory-gate prices of manufactured goods. The manufacturers' output prices increased by 0.3 per cent last month – after a 0.5 per cent rise in April, the Department of Trade and Industry said. That cut the annual rate of growth from 5.0 per cent to

of growth from 5.0 per cent to
4.9 per cent.
Other figures showed a
slower growth rate for the
prices of materials and fuel
purchased by manufacturing
industry. This could reduce
future cost pressures. The figures were better than most
analysts expected.
They suggest slower output

They suggest slower output growth may be increasing com-petition within manufacturing, restraining price rises. The strength of sterling, at least until recently, could also have increased competition

However, manufacturing goods form only part of the basket of goods used to calculate the retail price index. City analysts fear other sectors of the economy - particularly services could continue to push the inflation rate higher.

Ralph Atkins describes the difficulties in calculating the effects of costlier money

COMING trade deficits and rising inflation may have sent interest rates higher, but the boom in UK manufacturing investment con-tinues unabated – so far. Yesterday's Department of

Trade and Industry survey showed that buoyant manufacshowed that buoyant manufac-turing investment was expec-ted continue throughout 1989 with only a gradual decelera-tion in 1990.

Such rapid growth lies at the heart of the industrial "trans-formation" about which Mr Nigel Lawson, the Chancellor of the Exchemen likes to breat

of the Exchanger likes to boast. Last year manufacturing investment, including leased essets, rose by more than 14 per cent and has averaged about 7 per cent a year since 1982. This, the Government argues, has meant industry is more efficient, competitive and can grow at a faster rate with-cut fuelling inflation.

But beware exaggeration.

Manufacturers' capital spending is scarcely higher than a decade ago and could merely have been driven by the need to overcoms capacity con-straints. Manufacturing investstraints. Manufacturing invest-ment has also fallen as a per-centage of total investment.

Mr Ian Harnett, UK econo-mist at ANZ McCaughan, said:

"When you look at the low level of investment and the amount of scrapping that there was in the early 1980s, the

country certainly needed to have a lot of investment." More important, further supply side improvements depend on continuing investment growth. The danger is that each upward jerk in interest rates adds to the cost of finance and tests manufactur-

ers' confidence. Longer-term, secondary effects of higher interest rates, in slowing output and on the exchange rate may be even more damaging. The problem is in disentangling the effect of a rise in the cost of borrowing from the mass of factors that may determine investment.

 Domestic output and capacity considerations. Strong growth in production since the early 1980s has required strong investment. Equally, however, even in times of recession or slower output growth, price competition may mean strong investment is needed to improve efficiency.

The global economic envi-

ronment. A sterling apprecia-tion may cut manufacturing competitiveness overseas, dis-couraging capital expenditure. Manufacturing goods are easily tradable, leaving investment plans prone to global trends in

 The ability of companies to fund investment. If the cost of capital rises through a rise in interest rates. Investment

Manufacturing investment is expected to rise by about 15 per cent this year, according to yesterday's Department of Trade and Industry survey. Results of the spring investment inten-tions survey show manufacturers' direct investment is expec-ted to rise by about 14 per cent while spending on assets leased from the financial sector is forecast to rise by about 20 per cent.

The DTI said all manufacturing sectors except mechanical engineering are expected to invest more in 1989 than in 1988.

plans may have to be scaled back. Long-term rates are more likely to affect decisions than shorter-term base rates.

Interest rates take time to bite investment

The fall in company liquidity In the past year could restrict scope for funding investment and increase the impact of higher interest rates. But finance can also be found on, for instance, the corporate bond or equity market.

 Profit incentives. Earlier this year the Treasury esti-mated the rate of return in the private sector has risen to about 11 per cent in real terms before tax, almost certainly encouraging further invest-ment. Among forecasters, how-ever, there are fears that the expected economic slowdown and higher inflation could lead to a significant profits squeeze. Psychological or expecta-tions effects which determine

Investment decisions.
These factors lie behind attempts by the Treasury and others to predict investment

behaviour. Its model looks at factors such as output growth, liquidity, tax allowances and the cost of capital relative to

Results supplied by the Ernst & Whinney Independent Treasury Economic Modelling club, which has a copy of the Treasory model, givs some insight into how higher interest rates might bite.

Taking a rise in base rates in isolation, the effect on manufacturing investment is small. A one point rise to 14 per cent is estimated to reduce manufacturing investment by just 0.6 per cent after about two

When feedback effects are added in, however, the impact of interest rates on the variety of determinants of capital expenditure is more pro-nounced: investment by mandfacturers is affected by the knock-on impact on output, consumer spending and an expected appreciation of sterAt the same time the cost of capital rises as external funds are hit by high interest payments and equity fonding. becomes more expensive. Two years after a one point rise in base rates, manufacturing investment is 2 per cent lower than it would otherwise have been and is 3 per cent lower when all the effects have even-tually worked through. This may underestimate the

full impact. The Treasury model could underplay the pos-sibly powerful impact of a change in seotiment by manu-facturers. Even if every eco-nomic variable is pointing in the right direction, business-men will not invest if they are

men will not invest it they are nervous shout the future. So far there is little sign of this happening. Surveys by the Confederation of British Indus-try and others point to a high level of confidence smong manufacturers that has only manufacturers that has only recently begun to show signs of edging lower Investment in the UK by car manufacturers such as Toyota and Nissan has almost certainly been attracted by s relatively low-wage workforce and the prospects of

exporting overseas.
That said, sentiment remains prone to upsets - a shock rise in base rates that is perceived as a panic measure, or exagger ated reports of the economic

Commission to raise brewery competition

By William Dawkins in Brussels

PROPOSALS by the European Commission to boost competi-tion in the brewing industry are likely to go further than the British Government's own plans to reform the tied house system, EC officials said yes-

terday.

Moves to alter the system, which allows brewers to make cheap loans to privately owned pubs - free houses - in return for a promise to stock their beers, are already the subject of fierce lobbying in the UK.

The tied system could be reduced further when Brussels publishes its review of a 1984 ban on exclusive purchasing agreements later this year. A spokesman for Sir Leon

Brittan, Commissioner for Competition policy, said the review was likely to "go rather further than what the British Government appears to be con-sidering at the moment."

The review could jeopardise British brewers' hopes that they might be able to rely on EC law to help them retain their traditional loan ties with independent publicans, which are likely to the could be separate. the UK Government's separate

It indicates that aggrieved British brewers are unlikely to get much political help from Brussels if they want to cite the block exemption to fight the Government's and the conting design on a March report on decision on a March report on tied houses from the UK Monopolies and Mergers Com-

The report, now being considered by Lord Young, the UK
Trade and Industry Secretary,
recommands no brswsry

Britain is awaiting Brussels response to a possible com-promise over the limit on foreign shareholdings in Rolls-Royce, the aero-engine group, writes William Daw-kins.

Brussels threatened legal action against Britain earlier action against Britain earner this year on the grounds that its 15 per cent ceiling on non-UK holdings in the for-mer state group flouted EC free trade and investment rules. Action was suspended, however, while the sides search for agreement. The main element of the outline deal is to lift the for-

25 per cent. Another eleme may be to issue a separate tranche of non-voting shares.

should be able to own more than 2,000 pubs and they should adopt far more flexible loan ties with free houses than at present. It also calls for curbs of restrictive purchasing agreements. Lord Young's department has over the past few weeks been in negotiations with the brewers with a criti-cal meeting scheduled for

tomorrow.

He has had several discussions on the issue with the Commission, and the Office of Fair Trading, which will have to implement some of Lord Young's eventual proposals, is anxious to prevent brewers watering down the plans at national or EC level, say offi-

The Brussels authorities will need several months to cha the clock exemption, formally due to run out in 1997, once Sir

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Rothschild to fund technology companies

By Peter Marsh

N.M. ROTHSCHILD, the UK merchant bank, is planning an unusual venture-capital fund aimed solely at financing companles involved with materials

The fund, for which the bank hopes to raise £20m over the next two months, is intended to back new European compa-nies involved in areas such as medical implants, industrial enzymes, high-temperature engine components and magnetic materials for use in elec-

Rothschild, which plans to gain the cash for the venture from a range of investors including financial institutions and manufacturing companies, is launching the fund in con-junction with Scientific Generics, a UK technology consul-

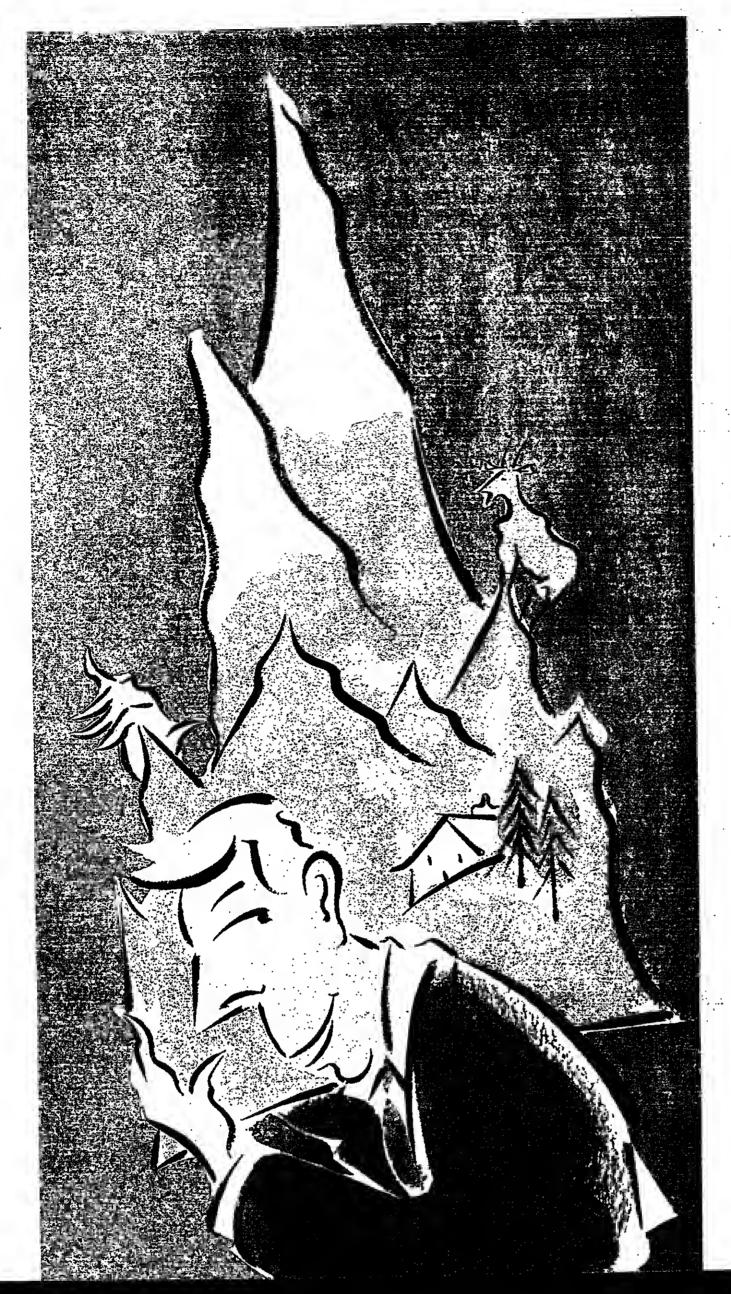
Under the Rothschild plan, Cambridge-based Scientific Generics will advise on investments. It may also second staff to help in technological developments undertaken by compantes that the Rothschild

Scientific Generics has staff of more than 100 who spe-cialise in materials technolo-gies related to fields such as electronics, chemicals and life

Mr Nigel Street, a Rothschild executive with responsibility for the materials fund, said he thought the liaison between his bank and Scientific Gener ics broke new ground in devel-opments related to venture

He said other venture capital funds failed to gain the best value out of their investments because of a lack of detailed expertise in technology on the part of the funding organisa-tions. "By bringing in Scientific Generics we are gaining a huge amount of new resource to help us evaluate proposals,

The materials fund aims to back new companies through capital injections of up to 50 per cent of tha businesses' total equity. Mr Street said he thought most investments by the fund would be worth between £50,000 and £500,000.



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MANAGEMENT: The Growing Business

mall firms do not plan ahead. They are too busy responding to dny-to-day crises to look heyond next week, let alone next year. That, at least, is the conventional wisdom. Eut don't tell that to Roger Harrison, chairman and man-aging director of Stratford House Developments. He 1s thinking ahead 10 years for his 18-month old property development company. This may look

ambitious for a husiness employing only five people and with turnover in its first full year of just 2575,000 but Harrison is convinced of the value of forward planning.

"We felt quite strongly that we needed to have a mediumand long-term strategy for the company as well as dealing with short-term tactics," says Harrison. He wants his husiness to be of sufficient size in 10 years' time to be able to go for a flotation on the Unlisted

Securities Market. Stratford House, hased in Stony Stratford, Buckinghamshire, has to think ahead because of the age profile of its four directors. four directors. Harrison explains. Two are to their early fifties and will probably be wanting to find a market for their shares in 10 years' time.

For Harrison and his fellow directors, planning has meant looking at the likely development of profits; at the funds which will be available to the company in a few years' time; and at its staff needs. More immediately, it has persuaded them to diversify earlier than originally planned from residential property into commer-

cial property.

But Stratford House is not the only growing business to

Strategy

The value of planning ahead

Charles Batchelor explains why, even if today's crises have to take precedence over tomorrow's business, time should be found to lay the ground for future expansion

plan for the future. "Throughout the 1970s and early 1980s smaller companies lived for the day and dealt with the day's problems," says Peter Moon, head of Professional Personnel Consultants (PPC), a Huntingdon, Cambridgeshire-based consultancy. "Since 1986, however, ebout 10 per cent of my clients have become excelient long term planners. They are making five and 10-year

"People are becoming more aware of how to do business planning from the point of view of managing their business and not just for the purpose of raighn more " note." pose of raising money," notes Anthony Bond of the business services division of accountants Pest Marwick McLintock.

This increasing interest is reflected by strong demand for the business planning option of the Enterprise Initiative. (Stratford House was helped by Peat Marwick under the initiative.) The initiative, which meets half the cost of up to 15 days of consultancy advice, also covers subjects such as design, marketing and quality

Business planning accounted for 1,200 of the 10,000 consul-tancy projects which have been started, according to the Department of Trade and Industry. Against initial expec-tations the husiness planning

option has appealed strongly to smaller companies. Forty per cent of husiness planning contracts are for firms with up to nine employees - a higher proportion than for the other options under the initiative.

Companies which are taking up the husiness planning option come from a wide mix of sectors, says Alan Horn, a director of 3i Consultants, which has carried out a numnology husinesses, industrial companies and service organisations are all showing increased interest in the subject of planning.

The reasons for this growth in interest vary. For some businal changes, for others it reflects the stage they have reached in their own develop-

"Size triggered out decision," says Kelth Butters, founder of the Spalding, Lincolnshirebased importer and distributor of potted plants which bears his name. The company made a pre-tax profit of £340,000 on sales of £7.8m in 1988 and

sales of £7.8m in 1988 and employs 100 permanent staff.
"We are a family company and we played things by ear intil we reached the £5m turnover mark a couple of years ago," says Butters. "Then it became increasingly difficult to manage. The decisions we

were making were getting more serious. If we made any mistakes they were also more serious. The competition was also getting more organised." Butters and his fellow directors sat down in early 1988 and worked out a five-year plan for their company. They researched their market and

their 8 per cent share of the market Butters' turnover should reach £15m by 1998. But calculating what their capital requirements would be showed that the company would only be able to finance its own growth up to a turn-over figure of \$12m so by 1991 it will be looking for additional

Planning forces a company to look at all aspects of its husiness. Conventionally these are grouped into four main areas: Strengths, Weaknesses, Opportunities and Threats -SWOT. SWOT-analysis forms the mainstay of much business

sources of finance.

growth Assuming they retain

By looking at its operations under these headings a com-pany can identify what its priorities should be and direct its efforts to areas of potential difficulty. Planning highlighted things which we might not - such as the need for more rigorous financial con-

trols," says Roger Harrison. For Keith Butters training emerged as an area which needed particular attention. Previously, he admits, the com-pany had paid only lip service. Now, with the help of PPC, Butters has a programme ranging from in-house courses for production workers to husiness school training for managers. Butters is 57 and plans to made projections of future

step down as managing direc-tor in two to three years. He is currently grooming his two sons and one other senior man-ager for the managing direc-tor's position. If none of these three seems likely to make the grade within the next 18 months Butters plans to look externally to fill this slot.

James Hall & Company, a Preston, Lancashire-based wholesale food distributor, is planning its staff requirements even further into the future. A family-owned company with 300 employees and turnover of 290m, Hall has the contract to supply retailers belonging to the Spar and VG trading groups in the north of Exceland

groups in the north of England.

Ian Hall, joint managing director of the 125-year-old company, says he thinks "15 to 20 years hence in terms of people." He edds: "I am continually looking for people who may be directors in 20 years' time."



Property developer Roger Harrison and recently converted rectory: Felt strong need for medium and long-term strategy

Staff and management training is e very long-term business hut other aspects of a company's development can only sensibly be planned over a shorter time-scale. James Hall is currently developing its fresh and chilled food husiness to meet expected increases in to meet expected increases in demand, in terms of the computers which will be needed it

ahead while werehouse and handling space can be planned five to six years in advance. Does the planning process produce upsets for managers who have previously run their husiness in an ad hoc way? Peat Marwick's Anthony Bond thinks not. "Quite often it serves as a reconfirmation from someone outside the husiness that they are doing the be surprised if we found a red hot winner which the maoagement did not know about."

right things," he says. "I would

This may be so, but forcing husinessmen to think ahead occasionally produces considerable change. John Lawrence. managing director of Sale-south, a Milton Keynes, Buck-inghamshire-based automotive group, was one of the first people to make use of the Business Planning Initiative.

Lawrence says that even before be began talking to the consultants he was aware that the two sides of his husiness, one distributing components the other "remanufacturing" used motor parts, would come into conflict with each other for funds as they grew. "The consultants produced a

comprehensive forecasting model, a fancy spreadsheet, to evaluate the alternatives," he recalls. "The results were quite dramatic. We demerged the two husinesses. My former partner runs the parts distribupartner runs the parts distribu-tion husiness and I am on the remanufacturing side. The planning process crystallised what were quite difficult sub-jects for a small company to

Even if planning does not produce hig changes it can be quite a challenge for the growing business. Keith Butters describes it as "painful and very time consuming." He adds: "We had to double and treble check everything to make sure we had got the numbers right. But having done it we feel a lot happier. We have got a benchmark, as long as we are disciplined enough to keep the plan up to date. I felt very vulnerable without a plan."

pposition by Britain's small firms' lobby groups to the Government's plans for a

aniform hasiness rate shows no signs of abating.

The Forum of Private Business, which has 13,790 members, renewed its offensive earlier this month with an attack on the proposed transition arrangements intended to limit the impact of the

rate changes on smaller businesses.
Some small businesses could face
increases in their rateable value of
nn to 23 times, tha Forum claims. This is three times the average increase which the Government has estimated and could lead to those businesses which are hardest hit paying nine times their present

Small businesses will be particu-larly affected by the changes in the rating system, the lobbyists argue. On average, rates swallow up 15 to 25 per cent of small husinesses'

'guesswork' Rates transition under fire

pre-tax profits compared with only 1 to 5 per cent of the profits of public limited companies (ples). In addition, small retailers are usually unable to benefit from the zoning of shop rates which decrease as the distance from the street frontage

What particularly worries the Forum is that the Government's calculations are still based on huland Revenue estimates and not on the actual revaluations which will be used in the new system. The Government had hoped to

put forward the transition arrange-ment in the form of an amendment to the 1988 Local Government and Housing Bill, which comes before the Commons this week. But the dment is now unlikely to be introduced until the bill reaches

at the end of July. This delay may give time for the actual revaluations to be made and these figures, hopes Stan Mendham, the Forum's chief executive, will persuade MPs to modify the transition scheme.

The Forum is making wuch of the fact that the impact of the new rating system, which comes into effect in April 1990 will be felt in the run-up to the next general elec-tion. It warns MPs they risk losing an average of 50 small firms per constituency.

The Forum has calculated that as many as 40,000 small retailing businesses could be put out of business by the proposed changes.
It believes that government plans to phase in the rating changes, to lessen their impact on small firms, do not go far enough. The Govern-ment has set a 15 per cent annual ceiling on increases for businesses with a rateable value of below £5,000 (£7,500 in London). This threshold should be doubled, the

Forum argues.
This point has also been made strongly hy another lobby group, the National Federation of Self Employed and Small Businesses which has 50,000 members. It has calculated that in only one town, Nawtown in mid-Wales, could a typical small business, occupying 2,500 square feet of workshop space, expect to be below the £5,000 limit.

The federation has calculated that the Premier Restaurant in Grantham, which occupies the site of the corner grocery store run by

Margaret Thatcher's father, would suffer an 89 per cent rise to rates when the uniform husiness rate is

The Government has a three-fold aim to introducing the new rating system. It wants to make local authorities "properly accountable"; to achieve a fair spread of the bur-den on business; and to allow businesses to plan ahead by giving them stable and predictable rates

To achieve this the government has set business rate poundages -the number of pence in the pound which are levied by the local authority - at a uniform level across the country and to allow them to increase hy no more than the rate of inflation each year. But there are two important

practical problems. Rateable values have not been updated since 1973. The Government says poundages will go down to compensate for any increase in rateable value – a rate of 30-35p in the pound would be needed to raise the same amount of money to 1990/91 as the average rate of 240p in the pound levied in England in 1989/90.

But economic patterns bave changed over the past 16 years and some areas and properties will now be assessed at a far higher rateable value relative to other areas than

was the case in 1973. The second problem is that sharp rises in rental values, on which rates are based, will mean that the most huoyant regions of the country and the most bnoyant sectors of

the economy will face the sharpest

increases. Retailers in the southeast will be particularly hard hit while manufacturing companies in the north and Midlands will bene-

The Government says that secondary shopping centres and neigh-bourhood shops are less likely to face large increases than the large retailers who tend to occupy the prime High Street sites, but the mail husiness groups are not con-

To avoid a sudden increase in costs the government will freeze husiness rates in 1990 at the level of 1989 and allow a phasing-in after that period. The Forum and others say that no amount of phasing-in will help husinesses that have been made unprofitable by the increases while for some husinesses which survive, the phasing-in period could take as long as 20 years.

Charles Batchelor

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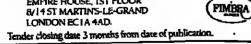
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Look Back In Anger

Kenneth Branagh's Renaissance Theatre Company revival of John Osborne's Look Kenneth Back In Anger raised over 250,000 in Belfast last week for the Northern Ireland Council for Voluntary Action and the Ulster Youth Theatre. On Sunday night, in the presence of the Prince of Wales, considerably more was raised for Friends of the Earth. And that,

formances, is that.

This is regrettable. There is far too little high class invective and passion in contemporary drama, even on the parti-san political wing, for Osborne's 1956 classic to be rendered superfluous. It still bristles with choleric anguish and retains a delightful ability to shock. Jimmy Porter has an

to shock. Jimmy Porter has an idea that you are a contemptible emotional virgin unless yon have watched someone die. Churchgoing is treachery. He hopes his wife Alison has a child and loses it.

And as for good, brave ceuses being non-existent pace the Prince's note in the glossy brochure, would Jimmy really have forked out for any organised social conscience appeaser like Friends of the Earth? No, the good, brava cause was alwaye only himself, raging energetically away in a small Midlands town room. He is a lovable monster with the gift of the gab and a talent for resentment.

The great thing about Bran-agh's hlistering performance is that it works as a self-destruc-tive comic turn. This Jimmy is a vaudevillian manqué whose rontina Sunday of railing against newspaper review sections (though no columns are half-written in French any-more, helas). Cliff's intellectual slothfulness, and Alison's despicable tolerance, is,in fact,

primarily a comic rontine.

The Strindbergian qualities of the marriage between a Colonel's daughter and a frustrated sweet-stall proprietor with a degree from a univer-

The Duke of Cambridge is a small pub theatre in Kentish Town which, like many other small pub theatres, occasionally hits the jackpot. Where it is showing signs of developing the control of the statement of the

in its partiality for sloshing dramatic quarts into the pint-

pot space of a really rather

unaccommodating L-shaped

The resident company, Cracked Mirror, did so interestingly recently with a Celtic-tinctured *Peer Gynt*. The visit-

ing Theatre Plastique do so

tury, Simplicius Simplicissi-

mus. David Wilson's dramatisa-

tion, originally made for television, comes to the stage

with a cast of 10 who give themselves ably and ebul-liently to the task of peopling

Grimmelshausen's world.

A succession of scenes take

us from the orphaning of the child Simplex, through his con-

version and education by an old hermit and his adventures

as an innocent adrift in a bad

world, to his final return to

contemplative solitude. In the

background and sometimes the

foreground, rages the Thirty

The astonishing thing to

again with a dramatisation of Grimmelshausen's picaresque novel from the mid-17th cen-

Simple Writings

sity not even red-brick but "white tile" bas been well noted. But Branagh explains Jimmy'e affliction as something much deeper than a social chip on his shoulder. His tirades are an element of what passes for his spiritual fulfil-ment. He defines himself by them, tests his own vitality. They are pitched for an audience with a wink, a shuffle of the shoulders, and a venomous music-hall timing. The minute Gerard Horan's beautifully inflected hangdog Cliff leaves the room, Branagh shrinks the room, Branagh shrinks painfully to the uncomfortable decibel level of ordinary conversation. He is pathologically incapable of being kind to people except as a gesture to point up a more general indifference. Misogyny is part of it. Feminist critics have often called for a Jenny Porter to redress the balance. But Jimmy is surely his own worst enemy.

the balance. But Jimmy is surely his own worst enemy. Emma Thompson's wonderful Alison, a brisk, lissom girl who returns a broken, sobbing and self-abasing character like Nina in The Seagull after she has lost the baby, is a victim of the mayhem he causes. Their "squirrels and bears" reunion avoids the Tynanesqua stricture of whimsicality by clearly projecting a tragic ambiguity. We can also see the play as a fussle for Alison between Jimmy, her emotional saviour, and the actress friend Helena and the actress friend Helena (Siobhan Redmond), whom Jimmy callonsly seduces, thereby winning back his wife. Edward Jewesbury's puzzled Colonel Redfern represents the security and values Alison instinctively knows she must

Maybe Judi Dench's fine pro-duction will receive a reprieve from whoever controls the London stage rights. I cannot believe Osborne himself would not be prepared to sanction it, and a much larger andience certainly deserves to be

Michael Coveney

emerge from this production is

that the novel has not been dramatised before it is witty, bawdy, and as profound as anyone cares to consider it. In the portrayal of Simplex

as a wide-eyed nait, involun-tarily slung into the fleshpots

of a hypocritical society it sac-

rifices some of the novel's redemptive force: Dom Poster's

otherwise convincing Simplex

endures rather than enjoys the temptations of the flesh. But

the temptations themselves are

Claire Armitstead

Natural talent drawn out by the prize for another large seated figure, and one of peculiar expressive intensity, unkempt and in her dressing gown at the kitchen table with a plate of fish upon her knee. She too, in another year, might quite rightly have had the Award to herself. The regular success of students in the Award reminds us that despite the constant attri-

William Packer reviews the National Portrait Gallery's 10th Portrait Award Exhibition

The Portrait Award Exhibition for 1989 at the National Portrait Gallery opened last week (until September 3), the 10th in an annual series now so well established that we might almost begin to take It for

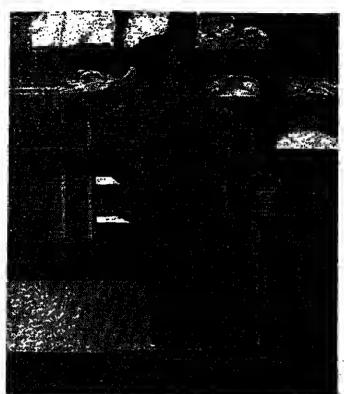
This year's show of 42 works is as strong as ever and, since it has been more rigorously selected than any of its predecessors from an ever-swelling submission, a little celebration is in order.

The first toast must be to John Player & Sons, who have heen sole sponsors of the Award since its inception. The visual arts are now a common-place of commercial sponsor-ship, but in 1980 the picture was not quite so clear. The revival of interest in figurative art was not then so certain, and to support what was still

and to support what was stur-seen as a narrow and rather backward-looking interest was a brave thing to do.

The level of funding that seemed extravagant at £7,000 to the winner alone simply upped the stakes for other such schemes to match. That figure schemes to match. That figure schemes to match. That figure now stands at £10,000, still a substantial sum though no lon-ger uniquely so: which is a measure of the provocative success. This year, for the first time, it is shared; but only in spirit, for each winner receives the full amount.

In retrospect, the Portrait Award can be seen to have been just the right thing at just the right time. Back in Decem-ber 1980, I had to admit to some misgiving. It was, I some misgiving. It was, I thought, based on the questionable premise that portraiture needed saving. It was not that artists would not paint portraits, but that so few people ever to asked them to do so. All the significant figurative painters of our time had produced distinguished portraits. duced distinguished portraits, having made or been given the



Joint winners of the 1989 Award: "Portrait with brown overalls" by Paula A MacArthur (left) and "Lynn Dennison" by Tai-Shan Schierenberg

opportunity, and yet the myth persisted that the portrait was dying out. Perhaps it was not unfair to say that the Company was playing safe with what should be fairly uncontrover-cial member and the controver-

sial, popular art.

I am now happy to say that over the years I have been proved both right and wrong in the nicest possible way. From the start the Award flushed art transport extists (under 40) out younger artists (under 40) active across a much broader range of painting than that of the declared portrait painter with a brass plate on his studio door. It made the portrait respectable once more for even the most radical and ambitious

of artists to take on, and every year paintings have appeared that are far from safe. The effect was felt in every art school in the kingdom, and just when the model was returning to the life-room. It is not by chance that so much of the best painting over the years, and several of the win-ners, should be the product of the Scottish art schools, in which the disciplines of life drawing had never been dises-tablished.

This year, for once, there are no manifest oddities — which is no bad thing, and fewer small paintings, which is a pity. What remains is, for the

most part, strong in image and presentation and well made. It is particularly good to see a number of highly creditable essays in those most testing of genres of the the portrait the full length and the conversa-tion piece. Indeed the large full-length self-portrait by Paula MacArthur, a young painter still at Loughborough College of Art, a grand and confident statement by any measure, is unlucky not to have kept the first prize to itself.

But I know the problem, for I was a judge myself for five of the years and this time even the short-list must have been

hard to separate from the general body of the exhibition. I particularly admired Elizabeth Rowe's ambiguous self-portrait, seated at her dressing table in a long white dress; Christine Ironside's Glasgow School Ms Sunderland in her black hat and striped jumper; Cherry Pickles' self-effacing seated figure; and Michael Corkrey's Clandia, seen from ahove. None was short-listed. Of those that were, Peter Edwards' large portrait of the poat, John Heath-Sthibs, should surely go into the permanent collection straightaway. The other first prize hard to separate from the gen-

away. The other first prize

goes to Tai-Shan Schierenberg

ment against future reputa-tion, and at very reasonable cost. I can do no more than recommend direct enquiry to particular colleges for details. In the meantime, the degree shows of the fine art schools of the Royal College of Art are already open to the public (Kensington Gore & Queen's Gate SW7: until June 17), with the design schools' shows to the design schools' shows to follow in early July. The gen-eral resurgence of abstract painting is clearly evident in much confident and accomplished work, with that of Zoe Benbow, Marco Cotton and the more restrained canvasses of Tom Benson outstanding. Of the sculpture, I was particu-larly taken by the simple metal bells and obelisks of Charles Hadcock and the symbolic fig-ines of N.N.Rimzon, from Ker-

that despite the constant attri-

tion of ever-reduced funding, resources and official support, the fine art departments of our art schools continue to marture

remarkable talent. This is the season of degree shows throughout the country. By

throughont the country. By their very nature, all will vary wildly in kind and quality, stu-dent by student, but all will contain stimulating and covet-able work. There is no better

hunting ground for the collec-tor willing to test his judge-ment against future reputa-

ala in india. But most remarkable of all is the installation by Yvette Martin: a banqueting hall, table, chairs and candelabra made entirely of brushwood, as it were a Cocteau set for the castle of the Sleeping Beanty remade by Roland

The Fall of the House of Usher

Even before composing Pelléas et Mélisande, Debussy had thought of making short operas out of two Edgar Allan Poe tales, "The Fall of the House of Usher" and "The Devil in the Belfry" Almost until the end of his life he fiddled with sketches for them; and his "Usher" fragments were published 10 years ago with orchestrations by Juan Allende-Blin. There is continu-Allende-Blin. There is continu-ing scholarly debate about how much pure speculation went into the Allende-Blin versions, but also intense interest in the shards thus exhumed and made accessible. Francisco Negrin, by no

painted vividly, lewdly, with high points including a finely-staged ball attended by painted knaves in grotesque friezes of means the first producer who has wanted to stage them, devised a Spitalfields perforcourtly demeanour.
Director Michael Walling mance in 1986; and lastweek-end we had his full-dress ver-sion for the Downshire Players of London on the South Bank. The performance did credit to does great things with a stage whose focus, a large heap of peat, becomes workplace, grave and even horse and car-riage while providing a dusty, emblematic reminder on the everybody involved, and yet left most of us with the melanplay's moral theme. The handling of guitar-accompanied choly conviction that nothing can make the "Usher" frag-ments add up even to a plain songs written by Paul Howard-Jones with Walling's own lyr-

ics typifies this fitfully first-class production: at first trite and out on s limb, they find a It is tempting to suppose that since Poe's tale, or its transmogrification in the comhaunting Brechtian power in the beautiful deadpan delivery by Valerie Weyland of a ballad poser's libretto, has its own eerie momentum, it ought to make good theatre and carry the tantalising, exiguous bits of Debussy with it. Here, Negrin did find a about bodies in the Rhine.

cogent and striking way of staging the story – and the result was to emphasise the painful lack of notes at crucial paintil lack of house at crucial places. Probably it skewed the intended character of the whole score, too, for the pre-dominance of worried, intro-spective music at moderate. tempi in the extant sketches may be mere accident. Above all the final scene, toward is cruelly starved of music: a real Barmecide feast.

Ueber's excessively adored sister has been buried; his friend aims to distract him by reading aloud from an ancient, gory saga – but the ghastly real sounds which accompany the reading betray Lady Made-leine's struggles to escape from her premature grave in the vaults below, and she duly sur-faces as Usher's bride and nemesis while everything founders.
Wonderful possibilities for electronic sound! Had Debussy had that on tap, he might have felt in fact, where the action demands an inexorably eustraled eliments wightness he tained, climactic nightmare, he got no further than drafting a few anxious phrases.

Those, and the longer arioso

passages earlier, were sung fer-vantly by Henry Herford, Ingrid Attrot, Steven Varcoe

and James Meek; they coped well — especially Herford — with all their spoken French,



Henry Herford and Ingrid Attrot

too, and looked suitably baimted. (Perhaps the Doctor's evil green frock-coat was a mistake, too like a Dapertutto for Tules of Hoffman. Nigel Low-ery's fine Expressionist designs flung a staircase across the stage at a crazy angle, and planted the whole shadowy castle in a proper Poe tarn.
Through which everybody had
to splash, sooner or later do
singers get danger money for
performing in wet boots?

With the Downshire Players, Peter Ash conducted expertly what there was to conduct. Usher was preceded, unfortunately, by a good idea gone direly wrong. Jean Epstein'e sllent film La Chute de la maison Usher was badly projected on a screen of the wrong shape and size, and intermittently accompanied by French pieces arranged for piano duet and

two winds. dreadful. David Murray

June 9-15

Leningrad Philharmonic

BARBICAN HALL

Though the Leningrad visitors Though the Leningrad visitors gave a good account of themselves on Sunday, in the Harold Holt/Barbican "Great Orchestras of the World" series, the foreground was decisively occupied by their conductor and their soloist. The latter was Dmitri Alexeev, on breathtaking form at the plano in Rakhmanings's "Paganhi" in Rakhmaninov's "Paganini" Rhapsody; their Music Director since last year is Yurl Temirkanov, himself a virtuoso soloist on the podium. Mussorgsky's Pictures at an Exhibition were defined by the high-visibility personal attentions he lavished upon them. Prokofiev's "Ciassical" Symphony had been scratched from the had been scratched from the programme, leaving the orchestra only Weber's Oberon overture to display their collective mettle.
It showed up well. The can-

didly impassioned strings made their music vital far beyond routine, and the broad, cajoling tone of the Leningrad brass might have pleased Weber more than the impersonal precision favoured noward the the West The more days in the West The more days in the West. The wooddays in the West. The wood-winds had sap, though their balance was unreliable — sometimes we lost their top line, even in the organ-episodes of Mussorgsky's "Great Gate." in Mussorgsky and also in Rakhmaninov, however, what Temirkanov was doing with the scores competed in interest with the actual execution. Like with the actual execution. Like Rozhdestvensky or Bernstein, he commands by expressive mime, surely aimed as much at

the audience as at his players. The Pictures were given in the familiar Ravel orchestra-tion — not, I think, one of that master's unequivocal successes: too obvious titivation of the piano original, and rawer experiments than he ever indulged in his own scores. He cosmeticised Mussorgsky's lean profiles. This time, the sounded as if the player were standing up in a spotlight (the trumpet who translates Mussorgaky's piano-shivers for the "poor Jew" gave him a military dash), and Tamirkanov went out of his way to emphasise Ravel's wilful embroidery. But it was a fascinating reading, mined with bright ideas and sudden suggestive swerves, set off by extreme tempi that made ona hear details anew, one missed only the sturdy, abrasive plainness of Mussorgsky's

No less sophistication was applied to the Rakhmaninov Rhapsody, and again the pulse ran to extremes, heli-forleather or teasingly languid.
The music can take that very
well, and with Alexeev'e
immaculate playing – fresh,
witty, thoughtful – the performance was a rare tonic. Too often, technical efficiency in this piece passes for good enough. Alexeev and Temirka-nov weren't content to make resounding effects, but traced the composer's thought with eager imagination.

David Morray

PREMIER BUDGET ACCOUNT INTEREST RATE **CHANGE**

RECENT INTEREST RATE MOVEMENTS HAVE MADE IT NECESSARY TO REVISE THE INTEREST RATE CHARGED TO ACCOUNT CUSTOMERS. THE NEW RATE CHARGES ON THE OUTSTANDING BALANCES ON PREMIER BUDGET ACCOUNTS WHERE PAYMENT IS MADE AUTOMATICALLY BY A BANK WILL BE 2.55% (EQUIVALENT TO 35.2% APR). FOR ACCOUNTS WHERE PAYMENT IS BY OTHER METHODS THE INTEREST RATE WILL BE 2.75% PER MONTH (EQUIVALENT TO 38.4% APR). THE VARIATION WILL BE REFLECTED IN STATEMENTS PRODUCED ON OR AFTER 21ST JUNE 1989.

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ARTS GUIDE

OPERA AND BALLET

Royal Opera, Covent Garden.

Further performances of the Royal Opera's 1968-89 season prestige event: the new production of *U Trousdore* by Piero Faggioni, conducted by Bernard Haitink, with Placido Domingo in the title role.

Royal Bellet, Covent Garden. On June 18 the Royal Ballet per-forms The Sleeping Beauty. English National Opera, Coliseum: David Blake's comic cham-ber opera, *The Plumber's Cift*. Lionel Friend conducts, Richard Jones is the producer, and the cast includes Sally Burgess, Eiddwen Harry, and Ann Howard. Also in repertory: The Mastersingers, with Gwynne. Howell, Alan Opie, Alberto Remedios and Jane Eaglen, and Don Gioconni, with Steven Page

in the title role.

Grand Palais Des Champs Ely-sées. Bejart Ballet Lausanne presents in the framework of La Danse en Revolution the world premiere of 1785...et nous with choreography to music by Theo-doralis Wagner, Payel and Add. dorakis, Wagner, Ravel and Afti-can folk music (48787515). Palais des Congres, The Queen of Spades, Warsaw Opera's orchestra and choir conducted by Robert Satanowski. Porte Maillot (bookings 47581404, info Theatre de la Ville. Happy Birth-day, Mr Nikolais performed by the Nikolais Dance Theatre

Amsterdam

Muziekthester. Netherlands Opera production of *De Materie* by Louis Andriessen, directed by Robert Wilson, with Reinbert de Leeuw conducting, James Doing and Wendy Hill in the leading roles. (Wed). The National Ballet with a Balanchins programme comprising Serenade, Tchaikousky Pas de Deux, Violin Concerto, and The Pradigal Son (Tue, Thur) (255

Volksoper. Andrea Chemier conducted by Anton Guadagno, with a cast including Axelle Gall, Peter Koves and Jaroslav Stainc. Premiere of Elektro, conducted by Claudio Abbado. Triston und Isolde conducted by Heinrich Isolic conducted by Remrich
Hollreiser and sung by Gwyneth
Jones, Marjana Lipovsek, Waldemar Kmentt. Don Giovanni conducted by Ivan Fischer. Also Kiss
me Kane, conducted alternstively
by Herbert Mogg and Courad
Artmuller. Ballet: Dorarischen, conducted by Peter Reuschnig, and Verklärte Nacht, conducted by Ulf Schirmer.

Teatro Alia Scala. Francesco Teatro Alla Scala. Francesco Gilea's Adviana Lecourreur conducted by Gianandrea Gavazzeni, Mirella Freni alternates with Natalia Trottskaia as the tragic heroine. (80.91.26). Teatro Lirico. Three works performed by the Scala ballet company. Serenade by George Balanchine to Tchaikovsky. The Lesson by Flemming Flindt, and John Cranko's The Lady and the Fool (66.04.18).

Opera: Theater des Westens. Roland Petit's ballet Les Intermittances du Ceeur la revived, also a guest performance from the National Ballet de Marseille in Roland Petit's show Java for Ever with Zizi Jeanmaire and Eric Vu-An in the solo parts.

Hamburg

Opera. Franz Schreker's opera Schutzgrüber has regained popu-larity, thanks to Gerd Albrecht, brilliant as conductor with Gabriele Schnaut and Josef

Opera. La Traviata has Frances Ginzer, brilliant in the title role. Also Cost fan Tutte with Ashley Putnam, Andrea Andonian, Deon van der Walt, Taresa Ringholz and Ludwig Baumann, Lohengrin has a first-rate cast led by Wil-liam Johns in the title role, Har-ald Stamm, Mechthild Gessen-dorf and Eva Randova.

Opera. Ariaime auf Nazos stars Giebriele Benackova, William-Murray, Susanne Mentzer, Peter Lindroos and Richard Cov Lastballet performance of Rhapsodie/Theseus and Ariadne, cho-reographed by Yuris Vamos.

Frankfurt

Overa. La Bohème has fine interpretations by Gyoergyi Benza, Karen Huffstodt, Keith Olsen and Ryan Scheznayder. The succassful opera debut of the Lievi brothers' La Clemenza di Tito production returns with a new cast led by Helena Doese, Daphne Evangelatos, Kimberty Berber and Keith Lewis, Rigo-letto, offered for the last time this season, is sung by Jonathan Summers, Juri Zinovenko, Michal Shamir and Franco Farina

Opera. Il Barbiere di Siniglia le excellentiy sung by Julie Kauf-mann, Cornelia Wulkopf and David Hampson. Die Soche Makropulor will be conducted by Peter Schneider. Der Rosenkung-lier in Otto Schenk's traditional Her in Otto Schene's traditional production features Lucia Popp, Julie Kaufmann, Ann Murray and Kurt Moll. Also in repettory: Sciome with Helga Dernesch, Walter Reffelper and Bodo Brinkmann, and a Stravinsky ballet to characterists by Lohn ng to choreography by John

New York

American Ballet Theatre. The week features Mikhail Baryahni-kov's stagings of Sman Lake and Don Quirote. Season ends July 1. Lincoln Center Opera House (382 6000)

Washington

Deutsche Oper Berlin. During its fortnight's visit, the company performs *Der Ring des Nibelun-*gen in one complete cycle. Ends June 18. Kennedy-Center Opera House (254 3770).

Jessye Norman

The Philharmonia packed the tightest legato binding. The them in for Jessye Norman's conductor, Giuseppe Sinopoli, account of the Strauss Four provided no counterbalance of Last Songs on Sunday. These rhythmic fluency; Strauss's songs were first performed by crepuscular warmth and ten-Kirsten Flagstad; one was derness were made statuesque, reminded of the fact by the even static. way Miss Norman flooded the On its own terms, though, a first, "Frühling", with a soartich performance, eloquently ing, hall-filling amplitude of supported by the Philharmonia tone — the sort of effect only players, particularly tha wind, the most generously proportioned soprano voicas can gramme, and so the concert achieve. The scale of the whole opened with Shopoli's heavy performance was specious, the reading of Don Juan, and

achieve. The scale of the whole opened with Sinopoli's heavy performance was specious, the style calmly serious, the canvas filled with the fine-pointed detail that proclaimed this an intelligent and notably observant singer as well as a grand one. The very highest notes conductor's quite special brand thinned out (though each one was held to its full value); otherwise, the vocal layout of each song was remarkable in control and dynamic range.

This singer is now so much and so widely loved that one feels like Public Enemy Number One for daring to find her strauss, for all its grandeur and confidence, unmoving third song, "Beim Schlafengehen", each word was given its individual filling of tone, with the result that the lines lacked the strain of the sound of the sense of the whole work simply disappeared. Once again, it has to be said that the work simply disappeared once again, it has to be said that the orchestra's response to their amazingly full-hearted.

Max Loppert

(This superlative is taken from Britain's leading consumer magazine.)

FINANCIAL TIMES

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Tuesday June 13 1989

Gorbachev in Germany

PRESIDENT Mikhail country in the long term.
Gorbacher's visit to West Germany, which began yesterday, must rank as one of the most important davelopments in East-West relations since the Soviet leader came to power in 1985. But it is an event which will have to be handled care-fully by both sides if it is not to raise false hopes about what can be achieved.

Probably for the first time since the end of the Second World War, West Germany is being wooed by the US and the Soviet Union as the major player on the European stage. After four decades of being classed as an economic giant and a political dwarf, it has at last reached political adulthood. The arguments over nuclear weapons within Nato have shown that Bonn is no longer prepared to swallow passively all the traditional

passively all the traditional medicines prescribed by its main western allies, such as the US, France and Britain.

That is not as dangerous a development as some fear. In a western alliance which, over the past few years, has shown itself to be distinctly short of imaginative ideas, West Germany has been in the vanguard of those who have called for more emphasis to be put on dialogue with the East. Certainly, the highly optimistic analysis of recent developments in the Soviet Union and eastern Europe on which this policy is based is disputed by some of its partners, not least by Mrs Thatcher. But the joint declaration issued after the declaration issued after the recent Nato summit in Brussels demonstrated that even the most reluctant of the other members have come round to the view that greater efforts must be made to foster political and economic relations with the East.

Positive attitude

West Germany is therefore not stepping out of line in giv-ing Mr Gorbachev a warm wel-come and adopting a positive attitude to the Soviet leader's stated desire for closer rela-tions. Bonn's western partners cannot ignore the fact that Germans regard the forging of a more friendly relationship with the Soviet Union and other eastern European countries as a stepping-stone to a possible reunification of their

In spite of all the euphoria surrounding the Gorbachev ures that he is under, is would be most surprising if Chancellor Helmut Kohl were to make rash statements or commitments. Moscow has yet to provide real evidence that it prepared to modify in any indamental way the division of Europe fixed by the Yalta agreement. Indeed, it is clear that Mr Gorbachev's "common European house" can only remain an empty shell as long as the Soviet Union and its allies have not fully adopted democratic political practices and a market system which will make a reality of economic co-operation. In any other cir-cumstances, it is difficult to see how anything more than a superficial relationship can be established between the European Community and Com-

Alarm in UK

What is causing most auxiety among West Germany's partners is its attitude towards defence. Those, like the British Government, who believe that nuclear weapons are the ulti-mate guarantee of peace in Europe, have been alarmed by the warm response that Bonn has given to Mr Gorbachev's t arms control initiatives.

The Soviet leader's desire to dennclearise the whole of Europe is supported by a large body of German opinion. The Chancellor's hands are tied, however, by a Nato policy which clearly states that the alliance's defence must continue to be based on a mix of nnclear and conventional weapons, reinforced by last month's agreement that negotimonto s agreement that regar-ations on short-range nuclear weapons should not begin until substantial results had been achieved in reducing conventional weapons.

That agreement required a substantial concession by West Germany which had originally called for a much speedier timetable. If nothing else, it must have demonstrated to Mr Gorbachev that West Germany's commitment to Netmany's commitment to Nato remains intact and that his efforts to detach it from the alliance, however ingenious, will be rebuffed.

The brain drain in perspective

IN 1987, the top eight UK emigrant economists were cited by their peers almost as frequently as the entire 50strong economics faculty at the London School of Economics. The point was made by three of the UK's best labour economists (who are themselves leaving for richer pastures in the US) in order to counter the Government's argument that no "brain drain" exists because there is a net inflow of academ-

ics. Quality is what matters in British universities, they said, and it is dropping fast.

In fact, even the crude figures for inflows and outflows do not anpport the Government's optimism. The Association of Hairanders tion of University Teachers points out that, with the excep-tion of 1985, outflows of senior ataff (professors, readers and senior lecturers) have exceeded inflows every year since 1960. The overall inflow is positive only because more junior staff enter than leave. But even these figures may be misleading because many of Britain's brightest Phd students leave immediately for jobs abroad they do not appear in the fig-ures because they have never-been employed by a British

Loss of stars

An analysis of the quality of staff inflows and outflows has not been conducted in other subjects. But anecdotal evidence strongly suggests a similar haemorrhage of talent. There is broad agreement that the loss of a few stars dispro-portionately affects the perfor-mance and morale of depart-

Mr Robert Jackson, the Minister for Higher Education, argues (see letters opposite) that universities only have themselves to blame. If they have failed to retain their stars, it is because they have not paid them enough: the brain drain is caused primarily hy misplaced egalitarianism. This argument is not wholly without merit: greater pay dif-ferentials would ease retention problems. But the universities' room for mancenvre is not great because of the low level of average salaries. The average rate for professors is about £30,000, far below the compara-ble grade in the Civil Service

yers, doctors or managers. It is difficult to argue that most professors should forgo pay increases altogether in order to find a little extra for the stars, whose salaries would often need to be tripled to remain competitive.

In any case, pay is not the only problem: British academics have never enjoyed salaries comparable to those available in the US. Many of the brightest are leaving because they regard the present climate as regard the present climate as inimical to serious academic work. They are not prepared to devote their energies to fund raising, public relations and the defence of departmental budgets and manpower allocations. They are depressed by the profession's loss of prestige (the result of constant sniping from politicians), the ebbing away of morale and the "greying" of departments: the proing of departments: the pro-portion of staff aged under 35 has halved in the past nine

Mr Jackson regards this as a demographic problem which is afficting the whole of Europe. Again, there is truth in this: large numbers of young staff were appointed during the boom of the 1960s and early 1970s. But the squeeze on universities during the 1980s was far tighter than it need or should have been. Britain sends only 15 per cent of 12 sends only 15 per cent of 18-year-olds into full-time higher education and expresses plous hopes about doubling this proportion sometime in the next 25 years. Do ministers not realise that a newly developed economy such as South Korea already sends almost 30 per cent of 18-year-olds to univer.

Human capital is arguably the most precious resource in any economy. As the decades pass, the correlation between economic success and educational attainment will become increasingly obvious. A university brain drain, if it continues, will become a real drain on the economy. The Government should accept its responsibility to finance higher pay, where it is necessary, while continuing to encourage institutions to seek other sources of revenue.

Robert Mauthner on the plight of the world's 14m refugees

iolent events in China have diverted the world's attendiverted the world's attention from a tragic situation from a tragic situation just off-shore in Hong Kong, which might otherwise have dominated the headlines — the plight of the Vietnamese boat-people, of whom some 75,000 are languishing in camps in east and south-east Asia. Nearly 40,000 of them are in Hong Kong

They will be the main subject of an international conference on Indochinese refugees opening in Geneva today. But desperate as the situation of the boat-people is, it is only the tip of the iceberg of a world refugee problem which has begun to run out of control. Recent natural disasters and regional conflicts have hugely inflated the numbers of displaced persons and

asylum-seekers.

Now totalling some 14m, the international refugee population has been described as the Fourth World by Wildescribed as the Fourth World by William Shawcross, anthor of several books on the subject. Fundamentally, however, it is a Third World problem. Only about 10 per cent of the refugees are to be found in the western industrialised countries, while the remaining 90 per cent — some 13m — are spread around the Third World, mainly the African continent, the mainly the African continent, the Middle East, south-east Asia and central America.

tral America.

The "host" countries are among the poorest in the world and thus the least capable of dealing with the influx of refugees, who themselves represent the most deprived and least educated segments of their native countries. A few examples underline the problem. Pakistan has had to absorb more than an refusees from absorb more than 3m refugees from Afghanistan, and Iran more than 2m from the same country. Malawi, with a population of only some 7m and one of the lowest per capita incomes in the world, has had to cope with about 620,000 Mozambicans.

By the end of 1988, according to United Nations figures, there were over 685,000 refugees in Ethiopis, including two large national groups: Sudanese in the south-west and Somalis in the south-east. At the same somens in the south-east. At the same time, the countries from which these refugees were fleeing were themselves taking in refugees from the other side of the border. Thus, by the end of last year, Somalia had played host to some 834,000 Ethiopians and Sudan to about 650,000, not to speak of tens of thou-sands of Chadians and Ugandans. These countries could not deal with

an economic and social problem of this magnitude without substantial international aid, much of it chan-nelled through the United Nations High Commission for Refugees (UNHCR), which depends mainly on voluntary contributions from member states. Refugees have to be found sheiter, clothes, food and medical sup-plies in regions often devoid of the basic infrastructure and natural resources capable of sustaining large movements of population. But sums such as the \$32m (220.6m) allocated by the UNHCR to Ethiopia out of its total general programme budget of \$429m for 1989 fall far short of what is

required, In its review of activities for 1987-88, the UNHCR said: "The capacity of host governments, which have been rich in generosity, but poor in resources, to cope with the influxes, has become increasingly stretched to its furthest limits. The resulting have a released and suffering the human misery and suffering, the ocio-economic dislocations and upheavals and the widespread insecu-rity do not portand well for the near

There is nothing new about the problem. Enforced mass migrations have occurred throughout the world's history. The slave trade across the Atlantic over the centuries was one of the largest, involving an estimated 10m Africans. In the 17th century, a



A world lacking in safe havens

quarter of a million Huguenots fled religious persecution in France. But the Huguenots were often skilled people, able to make an important contri-bution to the economic and cultural life of host countries such as England and the Netherlands. Nor were they prevented from making a new life for

prevented from making a new life for themselves, whereas refugees in the camps on the Thai-Cambodian border have spent up to 10 years in camps waiting for resettlement.

What has changed in the 20th cen-tury is the general perception that refugees pose a humanitarian prob-lem and should be an international resconsibility. That is the theory at responsibility. That is the theory, at

Afghanistan . Palestinlans

Mozambique

Ethiopia.

Somalia

officials.

Apart from the sheer magnitude of present-day refugee flows, what has troubled Western governments most — with the exception of Canada and possibly the US — is the origin of the asylum-seekers. Most of the involuntary population movements in the first half of this century took place within Europe, not least as the result of the two world wars. But Europe asylum-seekers. Most of the involuntary population movements in the first half of this century took place within Europe, not least as the result of the two world wars. But Europe and north America experienced relatively little difficulty in absorbing the millions of refugees, displaced persons and prisoners of war who survived the Second World War. Demographic and

LARGEST REFUGEE GROUPS Cambodia 5,751 Sudan . Burundi 11,22 Rwanda El Salvado

least. In practice, governments in the developed world, with only a few axceptions, often feel obliged to put what they consider to be the national interest before humanitarian considproblem, they can put forward more or less convincing economic and social arguments for their restrictive immigration policies. To open the UK's doors to more than 3m British passport-holders from Hong Kong, for instance, would exacerbate a serious unemployment situation, put intolera-ble strains on an extended social secu-rity system and run the risk of pro-

economic factors played their part, but the process was facilitated by the ethnic and cultural affinities of the

es and the host countries Over the last 30 years or so, often as conditions in newly independent countries, most of the migrations have taken place either within the developing countries or from the Third World. In the words of Mr Jean-Pierre Hocké, the UN High Com-missioner for Refugees. "Liberal asy-lum traditions have been joined by the new reality of asylum seelous coming directly from faraway lands through

Less diplomatic observers have noted that when countries like Britain. West Germany and the Netherlands are short of labour for their public transport systems or factories, the feeling that they are being overstrained or abused by immigrants becomes less acute and openings appear in doors that, at other times, are double-locked.

speer in doors that, at other times, are double-locked.

What is meant by the word "abused" in this context is that many asylum-seekers are not real "refugees" as defined by the 1951 UN Convention relating to the Status of Refugees and its 1957 protocol. A refugee, according to this off-quoted document, is a person who "owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social ity, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the pro-tection of that country."

attempt by the international community to lay down a definition not limited to specific groups. But, when applied to the present situation, it has serious shortcomings. Based on the concept of individual persecution, it was not designed to deal with the large-scale inflows of refugees which have given become the norm. have since become the norm. The great majority of today's refugees and asylum-seekers in Third World countries do not correspond to the formal definition of the UN con-vention. They are not all victims of persecution because of race, religion, nationality or politics, hut fall into a wider category of people who leave their homes and countries because their lives and security are threatened by famine, armed conflicts or other forms of violence.

In particular, UN officials argue, too In particular, ON chinals and the much emphasis is placed by governments wishing to exclude immigrants on the distinction between "genuine" refugees and so-called "economic migrants." A report for the independent Commission on International Humanitarian Issues has pointed out that, while people who left El Salva-dor and Haiti may well have wanted to have a more prosperous lifestyle, they may also have wanted to escape from "some of the worst human rights violations in the world."

violations in the world."

It is equally disquieting that, whereas international law recognises the right of a person to seek asylum, it does not oblige states to provide such refuge. Even people who clearly fall within the UN convention's definition of "refugee" do not have the automatic right of asylum in any particular country. That remains a matter for national discretion, which is being used increasingly restrictively by developed countries suffering from "compassion fatigue."

by developed countries suffering from "compassion fatigue."

With Hong Kong continuing to be swamped by Vietnamese boat-people at the rate of 500 a day and the British Government clamouring for international approval of "mandatory repatriation" for them, even the hallowed UNHCR principle of non-refoulement (not sending back) appears no longer to be sacrosanct. That principle clearly calls on the international organisation to ensure that refugees are not forcibly returned to a country where they have reason to fear persecution. Though it is conceivable that an agreement may be reached with Vietnam ensuring that returnees are not maltreated — as has been concluded for the few who have returned voluntarily — it will be much more

cluded for the few who have returned voluntarily — it will be much more difficult for the UNHCR to monitor a much larger number of cases.

A broader datinition of refugee status, such as the one contained in the Organisation of African Unity's 1969 refugee convention, which states that member states shall use "their best refugeactures of consistent with their best refugeactures." member states shall use "their best endeavours consistent with their respective legislation to receive refu-gees," still would not cover refuge situations with complex and multiple causes. Neither would it deal effec-tively with the growing reluctance of many states to open their doors to large numbers of Third World refu-

The UNHCR has some admirable achievements to its credit, not least the resettlement of more than 1m the resettlement of more than in Indochinese in more than 30 countries since the end of the Vietnam war in 1975. However, the number of resettlement places has declined while the number of asylum-seekers is still increasing. The refugee problem, it is increasingly recognised, can no longer be dealt with by humanitarian assistance alone.

tance alone.

In the words of Mr Hocké: "You cannot prevent people who have compelling reasons for leaving their country from fleeing to another country for refuge. You must address the reasons which prompted their flight."

The best hope of a satisfactory solution to the problems of millions of

Afghan, Palestinian, African and Indochinese refugees, therefore, remains the prospect that the recent improvement in superpower relations will bring viable regional settlements in its wake. Only such a development will persuade asylum-seekers to return bome voluntarily, which remains the UN body's preferred solu-

Davy beats the tanks

■ Some commercial life goes on in China, despite the politi-cal turmoil. Roger Kingdon, chief executive of Davy Corpo-ration, tells the story of how his company decided - partly on official advice - to recall all but a handful its non-Chinese staff last week.

When the message was passed last Wednesday, however, two of the Davy employees turned what Kingdon calls a "Nelson's eye" to the signal Ivan Phillips and Mel Pearson were staying in a Peking hotel, in the closing stages of negotia-ting a multi-million dollar fer-tiliser deal. They said they would have "some difficulties"

would have "some difficulties" in arranging to leave.

"What'a it like out there?" they were asked. "Well, there's a tank outside the window and some others coming towards it." Then the other tanks turned back, so they said that confrontation had been avoided. They stayed.

Nesotiations with the China

Negotiations with the China National Chemical Construction Company continued across Peking by telephone, telex and fax for the next two days. Agreement was reached on Friday, leaving only the final documents to be signed. The Davy men were not allowed to leave the hotel, and

the Chinese were not allowed to arrive by car. So on Saturday the client took to his blcycle and dropped in at the hotel to conclude the deal. Phillips and Pearson left China on Sunday, and indeed

even Davy's permanent office staff have now been withdrawn. According to Kingdon, that does not matter too much for the time being, since Davy has full confidence in its locally employed office manag-Davy has won about 50 contracts in China in the last eight

years. Only one of them has

don says that whatever the regime in China, the country will always want fertilisers,

not been paid for in cash. King-

Imagine Peter Brooke, the chairman of the Conservative Party, posing for a picture in a glossy magazine with cricket trousers around his ankles. It is not inconceivable that his trousers might fall down, but he would hardly go round making a show of it.

National Committee, appears in the latest issue of Esquire magazine, saluting with his tracksuit trousers around his feet, and was not caught unawares.

a somewhat unconventional Republican chairman. He belongs to the play-it-tough, and if necessary dirty, school of politics of the kind championed in the Nixon White House. As George Bush's cam-

Observer

so it's worth going on talking. The deal signed last week, incidentally, is for a plant at Xuanwei and the contract will be handled by Davy's engineer-ing centre in Lakeland, Flo-rida. Davy's last annual report said that the Lakeland base would be closed because of lack of orders. It is partly China's interest in fertilisers that has given it a reprieve.

Wrong man

■ Roy Hattersley recalls that when he was a junior minister in the Foreign Office, he went to Hungary on business only to be told by the British ambassador that the Prime Minister had resigned. Hattersley tried very hard to remember whether the Prime Minister whether the Prime Minister or the General Secretary of the Party was the most importent figure in the country. Then he realised that the resig-nation was Harold Wilson's.

Trousers down

Lee Atwater, Brooke's oppo-site number in the US as chair-man of the Republican

The 38-year-old Atwater is



paign manager last year, he was responsible for some of the most negative themes: notably the focus on Willie Horton, the black murderer who raped a white woman while on parole from a prison in Michael Dukakis's home state of Massachusetts. Atwater has taken these chniques into his new job, launching an ethical crusade against Democrats. This back

fired last week when Mark Goodin, his communications director, was forced to resign after writing a memo smearing the new Democratic Speaker,

Tom Foley.

Bush described the memo as "disgusting," but said he accepted Atwater's protestations of ignorance - a view not shared by everyone in Washington. Even those who gave Aiwater the benefit of the doubt argued that such smears were a natural result of his style of politics.

Atwater has survived, for the moment, thanks to the backing of the President. Yet the episode, coming in the present fetial atmosphere of allegation and counter-allegation in the capital, has raised again the question of the two faces of George Bush: the rec-onciler who can tolerate Atwater-type tactics.
"Is he George the Ripper or George the Gentle?" the New York Times asked yesterday.

It is not a good summer in

A kind of Hess ■ The death of Jose Lopez Rega, known to admirers as "el brujo" (the wizard), has bought another chapter of murky Argentine politics to

a close. The former police sergeant who became General Peron's most powerful — and most feared - side is said to have died of a heart attack last Friday at the age of 72. Freemason and author of many books on astrology (in which he occa-sionally revealed details of his private conversations with the

private conversations with the Archangel Gabriel), Lopez Rega idolised Juan Peron, and was rewarded for that by being appointed Minister of Social Welfare in May 1973.

He used that position to create the "Asociacion Anti-Comunista Argentina" or Tripie-A, whose death squads assasinated those unfortunates singled out by Lopez Rega as anti-Peron. That defi-Regn as anti-Peron. That definition was elastic.

He disappeared from Argentina in May 1975, only to be extradited from the US in July 1996 on charges relating to Triple-A activities. Since them he had awaited trial in Buenos Aires: the Rudolf Hess of Argentina whom no one really wished to bring to court because his appearance could have embarrassed too many

Like for like

In a Lambeth market last week a stallholder was display-ing a book in a sealed wrapper labelled: What Every Small Man Longs For. Asked what was inside, the stallholder said it was a copy of Little Women.

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Dealing with the brain drain

From Mr Robert Jackson MP. Sir, I was very interested to see your report (June 8) that three academic economists going to work in the United States had demonstrated that amigrant economists are of higher quality than those who remain behind. This is a welcome effort to bring some rigorous analysis to bear on an issue where discussion is usually more anecdotal than con-

For its part, the Government accepts that, while international exchanges are welcome, and while the crude numbers show that there is a net inflow

of academic talent into Britain.

young is general throughout Europe, and is a consequence of the 1960s "bulge" in recruit-ment, combined with the degree of job protection in aca-deme. The Government has sought to address the problem by spending £173m on premature retirement compensation and "new blood" posts in the

The Outhwaite plan at Lloyd's

From Mr Anthony Mitchley. Sir, Your report and comment (June 9) on the rejection by Lloyd's of the "Outhwaite plan" raises important issues, but it is difficult to see how the Lloyd's council could have coted differently with contents. syndicate remains open after the three years, this should acted differently without setting a precedent for the 75 trigger certain sanctions: a other overdue unclosed years general meeting of all syndi-cate members; appointment of of account. outside auditors; the appointment of a committee of inspec-

You suggest that Lloyd's "looks for practical remedies." For the past, it is difficult to imagine any remedy which did not involve making invidious distinctions between one loss and another. For the future, it remains an anomaly that syndicate members play no part and have no say in the running

To cap it all

Sir. Lord Vinson (June 8) misses the central point. The Government should be criticised not for putting a ceiling on the tax deductibility of pensions but for doing this by stealth and without proper debate. If the Government had wished to avoid the charge of acting disingenuously, it should have proposed a lower ceiling and Indexation according to earnings growth rather

than the RPL Sadly, the reliance on inflation to do the politicians' dirty work still seems to be a feature of British political life in spite of – or perhaps because of – Mrs Thatcher's revolution. A.J. Dawesey, 6 Biguood Road, NW11

Hardy perennial

From Mr F.B.W. Pope. Sir, "Welders Are Told to Take Off Contact Lenses" (May 22) is a return visit, for the third time, of a story that originated in the US.

It first surfaced in the UK in the mid-1970s, when it related to a shipyard have stripped the cornea from his eyes through contact lenses becoming welded to the surface after exposure to a welding flash. After about three years the story came back again, and in 1977 the Health and Safety Executive issued a hulletin from which I quote:

. there was no medical evidence to support the theory that contact lenses could have this effect. Not only does the use of contact lenses, whether glass or plastic, present no glass or plastic, present no additional hazard to the eye, it might well provide some protection against an arc flash by reducing penetration of ultraviolet light". But the HSE did advise that in the event of an exposure to a flash it might be sensible for the wearer to sensible for the wearer to remove the contact lenses immediately, and not to replace them until the irritation had subsided.

古代 一

Your reporter did not check Your reporter did not check the facts sufficiently before publishing such a misleading story. I trust you will now put your readers' minds at rest. F.B.W. Pope, Health and Safety Consultant, Hogg Robinson Gardner Moun-toin

Phoenix House, l Station Hill, Reading, Berkshire

From Professor Mike Faher.

there is a problem of, first, some younger academics unable to find permanent appointments in Britain, and second, of some senior scadem-ics attracted by higher salaries

The entry problem for the

unclosed years should continue of their syndicates. Every syndicate should have to be shrouded in a greater degree of secrecy than closed years, and that no special regi-men is imposed other than to demand payment from syndito have an AGM and at least one unrelated external membe of Lloyd's ("name") on its board of directors. Where a

The Lloyd'a Act 1982 may have resulted in a plethora of by-laws and regulations, with a top-heavy hierarchy of council, regulatory bodies and commit-tees at the top (evidenced by an increase in expenditure of 60 per cent since 1964 against a to yawn. Anthony O.R. Mitchley, 15 Bryanston Square, W1

mid-1980s, and spending an

estimated £180m on new aca-

demic appointments and pre-

mature retirement compensa-

tion under the current

restructuring programme.

So far as the problem of the brain drain of "stars" is con-

cerned, I am surprised that the

economists do not seem to

recognise the part played by

rigid national pay structures in

universities. In the Govern-ment's view, insistence on pay-

ing all staff at the same grade

the same salary must cause dif-

ficulties to arise in some areas

— including the retention of
"stars" attracted by higher sal-

Trying to make the cap fit

From Mr Ian Bowers. Sir, Mr Alan Smallbone (Letters, June 2) welcomes the removal of some of the tax shelters for pensions for those "highly paid" who change jobs after June 1. Ha sees it as improving labour mobility.
That is not the case.
The proposals in the 1989
Finance Bill leave the "higher

"names" of that syndicate, as well as closer supervision by the committee of Lloyd's.

Although this may be like bolting the stabla door after

the syndicate should have

paid" employee who changes jobs with unpleasant alternatives. He/she can accept a reduced death-in-service hump sum and reduced final salary pension. He must then argue for the increased salary with which to buy, for himself, the missing cover - if he can agree what is required each year. This will raise the cost to the employer by at least 75 per cent of providing the same top slice of benefits. Or the

static premium income), but the gulf between syndicates and their members continues

employer can contract to proemployer can contract to pro-vide the benefits on retirement through an "unapproved" scheme. Again, this will increase the costs, and still

give rise to a new tax charge to the employee. While most employees are in final salary pension schemes the new pensions cap will greatly restrict movement. Employees will not accept the uncertainty of the new provi-sion for the future without a considerable increase in compensation. Employers will not either accept the increase in costs, or the creation of two classes of employees with sub-stantially different compensation packer Ian Bowers,

Beois Marks Hot



Drums and trumpets

From Mr Henry Bear.
Sir, Many of us may think that Mr Mandleberg (Letters, June 1) was more than generous to those who would sell our heritage to a bureaucratic conglomerate just to fulfil ide-

alistic dreams

He could have mentioned that the referendum was not to take us into Europe. The UK government of the day had already taken up membership, and the referendum asked — as I remember it — whether we wished to confirm that deci-sion or to pull out. The typi-cally English attitude was that if we had joined, it were best left that way, another victory for political manipulation.

As the winds change, who apart from Mrs Thatcher will save Britain from the Eurocrats? Aa a Euro-socialist bureaucracy now appears to be taking shape, and sundry comissioners start banging their tin drums and trumpeting, our socialist party is suddenly (but

not unnaturally) all in favour of complete surrender of Brit-ish sovereignty. I still find it hard to believe that Mr Heath really wishes to condemn his country to such an ignomini-ous fate. This was not the pic-ture originally painted for the

The rest I leave to Sir Walter Scott: Breathes there the man, with soul so dead, Who never to himself hath This is my own, my native

Whose heart hath ne'er within him burned, As home his footsteps he hath turn'd From wandering on a for eign strand! If such there breathe, go, mark him well;
For him no Minstrel rop
tures swell . . . "
Henry Bear,

Sir, At the recent Interna-tional Monetary Conference in Madrid, some top commercial hankers asked why official creditors, including the inter-national financial institutions other creditors. To cushion the impact on (IFIs), were not subjecting their own loans to third world debtors to the same process of voluntary debt reduction as they have been urging on the commercial banks.

The answer is that, very tentetively and cautiously, they are. The process can best be described as camouflaged debt forgiveness - and it is meant to operate something like this: Country X is a chronic dehtor, with arrears so large that it is obvious that the whole debt cannot be fully serviced, let alone repaid. However, the government of X has coniessed the error of its past ways, declared its willingness to reform, and has even negotiated with the International

Monetary Fund the terms of a shadow letter of intent. The arrears to the IMF and the bank are at this point fro-

'It can best be described as camouflaged debt forgiveness' zen. As an earnest of its good intent, Country X recommences dabt service payments to the bank and the IMF, but is not required to do this for all

> Country X's balance of pay-ments, the IMF and the bank inspire the formation of a "sup-port group" of well-disposed governments which undertakes to supply X with support approximately equivalent to the service payments that will need to be made.

> Now the question of paying off all remaining arrears to the IFI and the bank has to be tackled. That is done by arranging for a commercial bank to provide X's government with a bridging loan roughly equivalent to the arrears owed. With the proceeds of the loan

the arrears are paid off.
The staff of the bank and the IMF are now able to report to their respective boards that the loans have been properly serviced throughout the gestation period, the arrears have been duly paid off, and a rigorous

new programme has been accepted by X in the context of the new stand-by credits and structural adjustment loan that are being proposed. With these facts before them, the respective boards grant approvals and the loans go through.

The money itself, once it is The money itself, once it is received, goes immediately (almost all of it) to pay off the bridging loan. At which point the sceptic might ask: "What, then, has been achieved?"

What government X does not get - at least in the short term - is gubstantial not new fund.

is substantial net new fund-ing from the IFIs. But (if you listen to their staff) that is a small matter compared to the benefits likely to flow from enforced policy reforms. In the short term, the net new fund-ing is expected to come from renewal of bilateral flows.

But government X also benefits from the fact that a substantial proportion of the new credits and loans will be supplied on significantly easier terms than those which applied to the arrears and

loans they replace.

The bank and the IMF benefit too. Their balance sheets are improved through a reduc-tion in the arrears they are owed, and in the proportion of their assets constituting doubt-ful debts. Of course there is a cost for this. Projected interest receipts are also reduced, even as the likelihood of their actually being raceived is improved. (There is a clear par-allel here with what is on offer to the commercial banks under one modality of the Brady

The procedures described above are still in their formative stage and have not yet been extended to the countries which are of most concern to commercial bankers. They will not, by themselves, remove the enormous debt overhang. For all that, the IFIs' cantious moves towards camouflaged debt forgiveness are rational and deserve to be encouraged.
Mike Faber,
Institute of Development

arrived in Bonn. So what? Nowadays beads of state spend most of their time flying back and forth, and Mr Gorbachev has e

ikhail Gorbachev has

penchant-for foreign travel. He is not the only national leader to find his opposite numbers abroad more polite and more amenable, and foreign crowds more enthusiastic, than he can usually count on them being et home. He is probably more popular in every Nsto capital than the local politicians. Why should be not go to West Germany and be popular there

Of course there is no reason at all. But it is quite evident that his reception in West Germany causes anxiety, not per haps in every Nato capital, but certainly in London, Paris and Washington.

Last week in London the Royal institute of international Affairs held a conference enti-tled The Federal Republic of Germany: a Proven Ally of 40 Years. Two German ministers came to London to reassure us that the Federal Republic is indeed an irreproachably loyal ally. One of them, Mr Lothar Spath, is the minister-president of Germany's economically most successful Land, Baden-Württemberg, and the favourite to succeed Chancellor Helmut Kohl as Chyletian Permet. mut Kohl as Christian Demo-crat leader. The other, Mrs. Irmgard Adam-Schwätzer, is e member of Mr Hans-Dietrich

of the necessity of our Nato membership." Yes, but that is not the issue at this stage.

From time to time, the Warsaw Pact does issue rhetorical

appeals for the dissolution of both military blocs, bot Mr

Gorbachav has certainly not come to Bonn to persuade the Federal Republic to walk out of

The issue at this stage is not

whether Neto, but whither

Nato. Mr Gorbachev seeks to infloence Nato as a whole -

particularly on issues of

nuclear armament and disar-

mament. He also wants West-

em investment to oil the creaking wheels of perestroika. On

both points be gets a more

helpful response from Bonn

than from other major Western

capitals. His undoubted popu

larity in West Germany, and

the influence that it has on

be promoting his latest views on sanctions on his forthcoming visit to South Africa. That is, presuming the views he expressed on television in connection with China apply Genscher's free Democrat party and his assistant in the Federal Foreign Foreign Office. equally to South Africa: Wa should not impose sanctions because it would reduce our doubt. Mrs Adam-Schwätzer hridled with a show of ontinfinence with the Chinese Nick Mitchell, British Industry Committee on raged innocence at a Britis "the seduction of West Germany by Mr Gorbachev proceeds apace." "Eighty per cent of the people of my country," she countared, "are convinced South Africa, 45 Great Peter Street, SW1

Nato.

No feather in the cap

Government

aries in the American aca-

demic market-place. That is

why we have pressed for an

increased discretionary ele-

ment in academic pay, and more market-oriented pay

arrangements in British uni-

many academics who blame

the Government for the "hrain

drain" - such as it is - resist

the most appropriate means of dealing with it.

Department of Education and

From Mr Nick Mitchell.
Sir, We must all hope that
Mr Gerald Kaufman, the UK

Shadow Foreign Secretary, will

What puzzles me is why so

versities.

Robert Jackson

Elizabeth House

York Road, SEI

Sauce for

the gander

From Mr Michael Ellon. Sir, Philip Chappell (Letters, June 12) puts words into my mouth insofar as he suggests that the National Association of Pension Funds accepts any thing other than a cap of 260,000 linked to earnings. doubt whether this important debate is helped by the use of phrases like "the pensions

It is interesting that Mr Chappell regards the Chancel-lor's proposal as "a most significant reform." That is why it should have been preceded by a green paper - in accordance with the Chancellor's pleage in his 1985 Budget speech. Michael Elton, Director General, NAPF,

Hiccups in UK labour law

From Mr Stephen Gibbons. Sir, Richard Brown (Letters, June 9) suggests that the UK 1988 Employment Act prevents unions from disciplining members who take unofficial action, whereas that act prevents a union disciplining members who refuse to take part in industrial action.

The true position under the law is that a union may disci-pline a docker for striking after a three-to-one vote in favour of a strike and — following one decision in the seafarers' dis-pute — it may be that the union will have to discipline such an individual if it is to avoid legal penalties.

The union, on the other hand, has no powers to disci-pline an individual who chooses to ignore an over-whelming vote in favour of a

On the question of London Undarground's reluctance to pursue those responsible for recent stoppages, has it crossed Mr Brown's mind that there is a case that those involved are

a case that those involved are actually acting within the bounds of the law as it stands?

Present events, in particular the Court of Appeal's decision in the dockers' case, show that the present law is biased and unjust. The fact that the International Labour Organisation standards are violated by the UK's labour laws demonstrates the sad state reached. Stephen Gibbons, Haldane Society of Socialist

FOREIGN AFFAIRS

Too close for Nato's comfort

Edward Mortimer looks at the reasons for Mr Gorbachev's popularity in West Germany

West German political leaders, are clearly useful to him. Some Western defence cialists are puzzled and irri-

tated by what seems to be a 180-degree turn in the German attitude to nuclear weapons over the last 10 years or so.

For much of its history the Federal Republic has clung, almost obsessively, to the American nuclear umhrella. Being the front line in the Cold War, it knew very well that it would be overrun and devastated in any imaginable sce-nario for a conventional hot war. Its interest in deterring conventional war was obvious and its great fear was that, not heing a nuclear power itself, it So much reassurance betrays might not get the benefit of the he presence of a naggiog nuclear deterrent. Who would believe that the US would risk its own annihilation to defend

> The vast majority of Germans simply do not believe any longer in a real danger of Soviet attack

West Germany from conven-tional attack? All the strategic arguments within Nato from the late 1950s to the early 1990s revolved around attempts to answer that question, and the answers took the concrete form of deploying nuclear hardware in Germany itself.

German public opinion never particularly liked this, but Ger-man political leaders pushed it through because they were convinced that e credible deterrent was vital to the country's security, if not survival. The last time this happened the leaders in question were the same ones - Helmnt Kohl and Hans-Dietrich Genscher - who are still in power now. But now they are running before the wind of public opinion instead of standing up to it. Why?

developed and deployed, even to replace obsolescent systems not covered by the treaty. seemed unnecessary, provoca-

There is a micro-answer and a

all has to do with the Interme-

diate Nuclear Forces (INF)

treaty, and more especially with the "second zero". In the minds of the Americans who negotiated it, the INF treaty simply removed one essentially

superfluous category of nuclear weapons. The net gain in detail was for the West

(since the Soviet Union had to

destroy many more warheads than the US did), and the fun-

damental nuclear equation was unchanged. But the message to

the wider public was that the nuclear build-np had now gone

into reverse. People assumed

that other categories would fol-low: the idea that new nuclear

weapons would still have to be

The micro-answer is that it

macro-answer.

tive and perverse.
The "second zero" gave that feeling a special focus for Germans by reducing the category of short-range weapons to a point where the range coincided almost exactly with the size of Germany. The catch-phrase "the shorter the range the deader the German" is of course nonsense if taken literally. More accurate, if less pithy, would be the formula-tion "the shorter the range the higher the proportion of Germans among the dead." But then no one would be dead if the weapon did its job, which is to deter.

The starting-point of the

whole argument (now apparently forgotten) was that the proportion of Germans among the dead in a purely conventional war was likely to be higher still, and that a conven-tional war would be more likely to happen if there were not a clear risk that it would escalate into a ouclear ooe, precisely because the superpowers might then think it could be confined to Germany.

But that brings us to the macro-answer, which is much simpler. It is that the vast majority of Germans simply do not believe any longer in a real danger of Soviet attack, whether conventional or nuclear. Why then do they still believe in the necessity of Nato? Presumably they have a residual sense that Nato's exis-tence has ensured their security for the last 40 years and has helped to bring about the present happy state of affairs. Presumably they also feel, as Mr Gorbachev himself argues, that no abrupt step should be taken to upset the present bal-ance and stability in Europe, on which the new detente and the hopes of further disarma-meet and freer communication continent are based.

An alliance which commits other countries to come to the Federal Republic's assistance costs little in itself (the contingency of German troops being ked to serve on the US-Mexican border being reasonably remote) and may always come in useful. What have come to seem unnecessarily oncrous are the specific costs, such as the stationing of nuclear weapons, the interruption of every-day life by low-flying aircraft, or the maintenance of the Ger-man army at a level which fallble without an extension of military service. (British critics of German policy are ill-placed to develop this last point, since Britain has had no compulsory

military service at all for the last 30 years.)

Perhaps it is fitting that the Federal Republic, as it celebrates its own 40th birthday and that of the Atlantic Alliance, seems to be coming back to the original conception of that alliance as a purely political commitment. It was the Korean War that convinced the allies that a military organisa-tion was needed to make the commitment credible. North Korea's attack on South Korea was interpreted as evidence that Stalin intended to expand the frontiers of the communist world by military aggression. Historians now believe that that interpretation was wrong about Stalin. Can the Germans really be blamed for refusing to interpret Gorbachev's inten-

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FINANCIAL TIMES

Tuesday June 13 1989



BIS says monetary policy cannot correct imbalances

MONETARY POLICY is "at about the end of the road" in trying to correct the global current account imbalances, Mr Wim Duisenberg, President of the Bank for International Settlements, warned yesterday.

Presenting the latest BIS annual report, Mr Duisenberg said that the continuing gap between the large US current account deficit and the West German and Japanese surpluses was encouraging US protectionism against imported goods and foreign investment and threatened financial mar-

ket stability. Mr Duisenberg's remarks at this year's annual meeting of the BIS in Basle, Switzerland, reflected a sense of powerless-ness among central bankers whn manage natinnal and international monetary policy.

The bank, which acts as a

think-tank and bank for tha world's central banks, is traditionally a centre of behind the scenes crisis management. However, despite the soaring dollar and the presence of central bankers from all over the world, the meetings at the weekend provided no new initiative for tackling the prob-lems of currency fluctuation, inflation and current account imbalances.

Instead, et a joint press conference with Mr Duisenberg, ference with Mr Duisenberg, Mr Alexandre Lamfalussy, the BiS general manager, said that now was an ideal time to tackle the imbalances by curbing US domestic demand. Calling for a large cut in the US budget deficit, Mr Lamfalussy said "the world can afford the slowdown of domestic demand. slowdown of domestic demand in the US" because growth outside the US was strong.

"The choice is not between boom and recession. The choice is between a boom which may get out of hand,

and slower growth," he said.

Rarlier, Mr Dulsenberg told
the BIS annual meeting that the strength of the US dollar would, if it continued, damage efforts to adjust the global

However, he warned that there was not much the central banks could do in the face of strong demand for the US currency. National monetary policies should be directed primarily at domestic price and financial stability.

They could only influence exchange rates if they were sufficiently divergent, but the price of such e strategy could be extremely high, Mr Duisenberg added.
Mr Duisenberg said the dol-

(PPSC), are reluctant to share

a platform with former Contra leaders. Mr César, in an effort to promote unity, has already renounced any claim for the presidency and ruled out the possibility of other Contra leaders standing

leaders standing. Even so, it is unlikely that a

credible programme for gov-

ernment can be drawn up between soch diverse parties

in the opposition group of 13. The biggest obstacle to unity would seem to come from the

centrist conservatives of the

strength was echoed by Mr Karl Otto Pohl, president of the Bundesbank, the West German central bank. He said there was no point in central banks providing the foreign exchange market with cheap dollars through inter-vention only to see them sold

lar was in a special position.

Any other currency would

have weakened after publica-tion of data such as that last week which showed a strong

increase in US producer prices.

The dollar, however, was sup-

ported by unrest in the world.

Money was seeking a safe haven in the US following the disturbances in China, just as it had before as a result of cri-

ses in Afghanistan, Iran and the Soviet Union.

about the ability of central bankers to curb the dollar's

This would then make a

National Assembly of about 100 seats. The problem for the FSLN, the Sandinista party, is that it would then have to win

at least 51 of the 90 contested seats if it wished to retain con-trol of the National Assembly.

A 10 per cent swing to the opposition, combined with a wider participation by the opposition than in 1984 (the

right wing abstained then, along with 25 per cent of vot-ers) could break the hold of the FSLN on the legislature.

The opposition would then take control of the assembly committee structure, have the

power to introduce their own legislation and establish inves-

tigative commissions even though the presidency would remain in Sandinista hands. The presidential veto can be

verturned by a simple major-

ity in the assembly.

The opposition could also

take greater control over two key state and institutional

powers - the Supreme Court

Mr Duisenberg's scepticism

again later in the day at a profit by commercial banks. Such action did not give the banks sufficient awareness of risk and encouraged further speculation in the dollar's rise.

Despite his doubts about central bank intervention, Mr Duisenberg said he believed the efforts of the Group of Seven leading industrial coun-tries to manage currency fluc-tuations had been a "relative

Even after its recent strength, the dollar was not far out of the ranges set in the Louvre Accord of February 1987 and the revised Lonvre agreement of December that

He also underlined that the 67 countries had set no specific exchange rate targets that were to be met at all costs.

Details, Page 3

UK opposes Brussels' social charter

By David Buchan in Luxemboura

Britain yesterday stood alone among the 12 European Community states in its opposi-tion, in principle, to the Euro-pean Commission's proposed social charter for workers

We are being asked to sign a blank cheque, before anyone has defined what the rights would be, what they would cost," said Mr Norman Fowler, the UK employment secretary. Mr Fnwler, who was at a meeting of EC labour minis-ters in Luxembourg, made clear that any general charter with follow-on Community legislation was unacceptable.

Discussion on social policy

at the European summit in Madrid at the end of this munth now promises to be more heated than the debate on EC monetary co-operation.
At the meeting, the Spanish presidency of the EC sought to sidestep the British block on early adoption of the social

Government heads at the Madrid summit will be pres-ented with a statement saying that labour ministers from 10 of the 12 states endorsed the basic social charter plan. The charter would set norms for pay, work hours, leave and worker participation.

Denmark abstained saying that, while it had no objection to the draft charter, it must consult its social part-ners—employers and unions — who normally settle such

Luxembourg to prepare the summit agenda, Sir Geoffrey Howe, the UK Foreign Secretary, said the UK could not sign on to "a shopping list of social obligations."

However, it was ready for the said and research and research and research.

"real and reasonably rapid progress" on the first stage along the road towards mone-

Worker health and safety

tive.
Had the Commission only produced a declaratory social charter, Mr Fowler said, the les summit.

But the Commission had now linked the charter to a subsequent programme of binding legislation. This is the wrong wny around of doing it," he said. Mr Norbert Blum, the West German labour minister, said,

Bonds demand

Continued from Page 1 although profit-taking caused bond prices to pull back from their highs in New York. In late US trading, short- and medium-dated bond issues were lower but the benchmark

Another pounding for sterling

Yesterday was another classic day on the foreign exchange markets. It began with the dol-lar showing a fresh burst of strength; and as soon as this had with course its course. had run its course, it was poor old sterling's turn again. The pound's trade weighted index has fallen by 2% per cent since last month's defensive rise in UK base rates. And the longer it is permitted to slide, the greater the uncertainty about the firmness of the Govern-ment's exchange rate policy. It is easy to blame it all on the dollar, but sterling's down-wards drift against the D-Mark

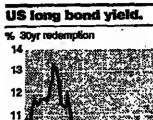
wards drift against the D-Mark cannot be ignored for much longer if the Government's anti-inflation stance is to retain any credibility. Indeed, the pound's current weakness has far more to do with uncertainty ebont UK Government policy than anything else. The speculative flows currently determining exchange rate patterns are exchange rate patterns are driven by a mixture of hunch and charts, and at the moment the message is that the dollar is going up and the UK authorities are not doing much to stop the pound going down. Maybe this will be proved to be the wrong interpretation, but for the moment political uncer-tainties are playing a far greater part in such flows than interest rate differentials. A year ago short-term US and UK

interest rate dimerentials. A year ago short-term US and UK money raises were virtually the same; today there is a gap of 5 percentage points and the pound is weaker than ever, even though it offers a substantially higher yield than any other major currency.

Against this background the current weakness of the gilt-edged market is no surprise. However, the equity market is holding up surprisingly well. Perhaps this is partly to do with economic data, such as yesterday's retail sales and industry investment intentions, which show that the economy remains more robust than supposed and business confidence surprisingly strong. The producer price figures underline the growing squeeze on profit margins, but squeeze on profit margins, but a weak currency is not bad for equities, unless it leads to economic overkill.

Unigate

It is a measure of the mar-ket's confusion over brand valnations that last week's news of the high price of crisps to BSN did not do more for Unigate's share price. For surely if the greasy old crisp can sell for 27 times prospective earnings, light and healthy St Ivel ought



to do at least as well, or better. And it is only a small step from a valuation of, say, 30 times earnings for St Ivel to a break-up value of as much as £5 e share for the group as a

1983 84 85 86 87 88 89

Tn judge from the share price, however, the market is not yet ready to make such a calculation in the case of Unigate. The presence of an Irish beef baron on the share regis-ter with nearly 9 per cent of the stock seems to be enough to guarantee the shares a modest premium to the market; but with the stock on only 11.5 times prospective earnings, investors are clearly far from certain that Mr Larry Goodman will ever manage either to launch or to provoke a bid. And with every evidence that the worst is now behind the the worst is now behind the group — this year's forecast eps growth of 12 per cent or so should at least keep pace with the sector and almost certainly better the market — the window of opportunity could be closing on Mr Goodman. If he is truly interested, he might do wall to not while the shadow of well to act while the shadow of salmonella is still hanging over Unigate's profits and before the poultry market recovers some

of its lost sanity. In the short term, the prospect that Mr Goodman may choose to pounce - or per-suade someone else to do it for him - is at least worth the current 381p. It would certainly be worth much more if that prospect turned to reality; but the market is not betting on it

Emerging markets

Without a doubt, there are some great opportunities out ing stock markets. In the long run earnings should go up with gop - which in many countries is growing at twice the induseven longer run the currency

risk should take care of itself As the average institutional investor can scarcely be sent out hargain hunting in Lesothe or Liberia, it makes sense for the specialist fund to do the

That does not mean that the new batch of emerging market funds are assured of success The announcement from Tem pleton that its £30m offering was only just oversubscribed suggests that institutions demand may be close to satura-tion; andyesterday's placing o yet another such fund may be the last for a while. Whether there is a further rash of imitators will depend on how the existing ones fare; but as Korea and Mexico do not go up and down together, presum-ably some will do well and othany some will do well and others hadly. Never mind the pedigree of the fund managers and their record in spotting Japan a decade or so ago; it is still asking a lot for them to pick the outperformers of the future from so many exotic markets while avoiding political and economic disaster areas on the

ay. Meanwhile, it is most unfor-Meanwhile, it is most unfor-tunate that this latest craze should have coincided with such a noisy warning from Hong Kong of the dangers of investing far from home. Indeed if Hong Kong — which must be on the verge of grad-tusting from the emerging manuating from the emerging mar-kets class altogether - can fall by 40 per cent in a couple of weeks, cautious investors may well wonder what Jordan or Fiji would be capable of.

Saatchi & Saatchi

If Saatchi & Saatchi really have put their management consultancy businesses up for sale, it is ironic that one of the most obvious buyers would be a financial services company. For it was Saatchi's own clumsy attempts at courting the likes of Midiand Bank and Hill Samuel which really made the City lose faith in its magic There is far more scope for cross fertilisation between a bank's industrial customer and a management consultancy, than an advertising business. Although consultancy offers superior growth prospects, Saatchi has never proved that it could manage the business well. Assuming that it could sell the businesses for a minimum of £200m, it should have a positive finan-cial impact, while Saatchi's financial image would improve immeasurably if it decided to give even some of the money back to shareholders.

Return of the Contra counsellor

Tim Coone reports on rebels reappearing for Nicaragua's elections

HERE is a curious irony about the return of Mr Alfredo César to Nicara-

As the man who first counselled sound financial manage-ment to the Sandinista Government, nnly recently has his advice at last been put into practice. However, he is now e vilified opponent instead of president of Nicaragua's cen-

tral bank, the post he held from the revolution until 1982. Mr César returned from seven years in exile on Sunday to join the ranks of the oppositinn Social Democrat party (PSD) and predicted thet only an oppositinn victory in the electinn next February could rescue Nicaragua's war and hyper-inflation ravaged econ-

my. "We shall rescue the revolution," he vowed.

Welcomed by a small but enthusiastic crowd, a wheezing band and an underpowered, crackling public address sys-tem, Mr César said: "I have come beck to work for the opposition and to support a sole opposition candidature."

He is the most prominent and moderate member of the "Contra" leadership so far to return to Nicaragua to participate in the electoral process. Others are due to follow.

The long road to unity for the Nicaraguan opposition has begun in earnest. For every politician and political analyst in Nicaragua knows that unless the opposition can unify under a single banner, the rulpresidency, and thus control of the government for the next

The fragmentation of the opposition since 1979 has resulted in a proliferation of parties, covering the entire parties, covering the entire Several parties, such as the political spectrum, from the Popular Social Christians

Democrat right. Four conservative parties, three Social Christian parties, three liberal parties, and sev-eral others of centre-right alignment form the main oppo-sition in the contest that will see 22 parties participating.

Trotskyist and Maoist left to

the conservative and Christian

There is concern that the incurporation of the Contra leaders back into the civilian fold will tarnish the opposition image. The US-financed war has left 50,000 dead, billions of dollars of damage to the econnmy, and an immeasurable amount of rancour which is

PCDN, the most powerful oppo-sition group to have emerged from the 1984 elections with 14 NICARAGUA'S currency, the córdoba, suffered a drastic 52.5 per cent devaluation at the weekend, raising fears of new hyper-inflation. The Central Bank fixed the new official exchange rate at 20,000 to the US dollar, and made an upward adjustment of passive interest rates to between 30 and 33 per cent a month. The rate had been 9,500:I.

already being exploited by the On the day of Mr Cesar's arrival, the two pro-government daily newspapers published a full-page photograph of the hardline Contra leader

Colonel Enrique Bermndez with Mr César in the back-ground under a headline "No return to the past."

More vitriolic propaganda is being directed at Mrs Violeta Chamorro, the owner of the opposition newspaper La Prensa and widely tipped as the most likely presidential candidate for an executal uni-

fied opposition, although her political skills are considered Almost daily, video clips are heing screened on the govern-ment TV station which juxta-pose her alongside images of children mutilated in the war,

and US Administration offi-cials.

per cent of the vote, and which are planning to go it alone in the elections.

of the inposition has little hope of defeating the Sandinis-tas on a simple majority vote

ephemeral unity which could collapse during the electoral campaign, or after a close defeat or victory, might be a tactical error. For there exists

opposition parties.

Without them the remainder

for the presidency, even were the Sandinistas' vote to drop to less than 50 per cent (from 67 per cent in 1984). Given those calculations, an

system which favours the opposition. Each defeated presidential candidate automatically wins a seat in the 90-seat National

and the Supreme Electoral Council – through its voting power in the assembly. At present the all-or-nothing choice of a unified presidential

Assembly provided the candidate obtains a minimum number of votes - one-ninetieth of the total turnout. Potentially, some eight to 12 seats could be won in this way by the larger

candidate dominates most apposition thinking, in the belief – shared by few analysts – that they will win a resounding victory. Analysts believe it might be more realistic to aim for six tary opposition using the elec-toral system's favourable bias.

This would greatly curtail the FSLN's power and would prepare the diverse anti-San-dinista forces for a challenge for power in the 1996 elections and give time for a credible

and equipment in western Europe. Equity capital for the joint venture could total about

\$200m, he suggested.

Fiat is seeking to expand its links with East Europe. It

already has agreement with the Polish Government for pro-duction in Poland of a Flat-

The initial agreement calls for output of 300,000 cars a

year but this could rise to 600,000 cars. Mr Romiti disclosed that Fist

was exploring possible collabo-ration with Japanese car com-panies, while at the same time

pressing for an EC policy which will restrict their share

of the Community market "for as long as the European indus-

try is not able to compete on cost grounds."

Without such an approach, Europe was "at a cross roads" at which it either accepted

"indiscriminate" competition from Japan which would lead

the Polish-built Fiat 126.

signed mini car to replace

After foreign ministers held opposition candidate to emerge. It is no secret that Mr César has his sights set beyond

tary union mapped out earlier this year.

Mr Fowler said the UK sup-ported n social dimension to

the internal market. He equated this with job creation, which he said would be endanwhen he saw women be chuan-gered by the labour market regulation envisaged by the planned social charter. The UK has added 3m jobs in the past six years.

regulation was supported by the UK, and Mr Fowler joined other ministers in approving a work safety framework direc-

UK might have been prepared to go along with it, as Mrs Margaret Thatcher had indicated at last December's

however, that jnb creation issue was unrelated to the social charter.

fuels dollar

long bond was still % point higher for a yield of 8.13 per

Fiat in negotiations on Soviet joint venture By Kevin Done and John Wyles in Turin provide the technology and purchase the necessary plant

FIAT, the Italian antomotive groop, is negotiating a jnint venture with the Soviet Union to produce some 300,000 small cars annually. It is hoping to reach agreement by the end of

the year. Mr Gianni Agnelli, Flat president, also indicated yesterday that Fiat is considering the construction of additional car assembly capacity in West Europe, must probably in southern Italy or in Spain, to meet forecast rising new car demand in Europe in the 1990s. He said that the UK was also "attractive et the moment" as a location for new industrial

Mr Cesare Romiti, managing director, insisted that the EC must maintain e restrictive policy towards Jepanese car imports after 1992 to protect the European motor industry. He said that preliminary talks between Flat and British Aerospace about possible conperation with Rover, the BAe subsidiary, in small car or four wheel drive vehicle production

had been terminated Mr Romiti said he was convinced that Rover was making an agreement with Honda, the Japanese car maker, which

precluded any deal with Fiat.
"I don't think it is possible
with Rover, we only had an
exchange of views," he said.
Fiat is understood to have explored the possibility of col-laborating with Rover on the joint development of a small car to replace the Flat Uno and the Rover Group Metro, as well as nn four wheel drive

Rover is holding intensive discussions with Honda about their 10-year relationship, which has already led to the development of two joint cars, the Rover 800/Honda Legend and the Rover R8/Honda Con-

Mr Romiti said that talks with the Soviet Union about a emall car joint venture had started in September last year. The Soviet Union was insisting on a joint venture rather than the usual licensing agreement. "This is new for the Soviet Union and new for us,"

Fiat would only take a minority stake, he said, possibly of around 30 per cent. A new car plant was already under construction in Yelabuga, 100 kilometres from Moscow, as part of the Soviet

plan to build three new car plants and double car produc-tion during the 1990s to 2m units from 1m units at present.
The car to be produced would be a Soviet design, the would be a Soviet design, the Oka, a Panda-class car. It would not be a replacement for the Fiat Panda, however, which Fiat plans to replace separately. Fiat was negotiating co-operation in the assembly stage of production, said Mr Romiti and was not interested in components such as engines on transmissions.

engines or transmissions.

Fiat would provide the technology and purchase the recessary plant and equipment in West Europe. The Soviet Union had indicated that it would take three to three and a half years to bring the Oka plant into production. The bulk of output would go to the domes-tic Soviet market with exports

to West Europe of 60-70,000. He suggested that the equity cantal for the joint venture could total around \$200m.

The company was insisting that "styling, design and quality rough he up to Flat star. ity must be up to Flat stan-dards," he said.

to a growth in unemployment or it would succeed in import ing Japanese "rhythms and quality of lifa" - which he thought unlikely. He said the car assembly project would cost between \$1bn and \$1.5bn. Flat would China's activists pursued

Continued from Page 1 Shuxian, for whom arrest warrants have been issued by Peking police. Chinese television devoted

several minutes last night to a denunciation of Fang, who was described as a prime instigator of the "counter-revolution," the official term for the pro-democracy movement.

and Peking Daily for "compiling lies and creating rumours." The leadership continued to congratulate itself and the army on the crushing of the democracy movement and painted an official picture of the Chinese capital as having returned to normal. Officials said the Forbidden City, which has been home to troops and





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tanks in the past week, would be reopened to the public today, though Tiananman Square and the Forbidden City The rallying dollar, which acts as a deflationary force on Sino-US relations have also been strained by sustained Chithe economy, gave the Fed room to ease rates last week nesa criticism of Voice of America broadcasts, which and so indulge the wishes of the US administration. were attacked yesterday in edi-torials in the People's Daily, were still surrounded by barbed wire yesterday.

WORLD WEATHER

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday June 13 1989



INSIDE

Exxon to spend \$1bn on chemicals plants

The chemicals division of Exxon, the US oil company, this year plans to apend \$1bn (£645m) worldwide on plant investmant, nearly double the figure for 1988. The spending projection, a substantial increase on Exxon Chemical's \$571m capital investment last year and the \$298m it epent in 1987, is indicative of the current boom in the global chemicals Industry. Peter Marsh reports. Page 26

Quiet success story

Lend Lease is the only one of Australia'a top 30 companies with its mainstream business in property. And unlike many of tha country'a other leading companies, it attracts little gen-eral publicity end even less adverse comment from analysts. Chris Sharwell litts the wraps on an organisation that last year reported its first after-tax operating profit of more than A\$100m (US\$75.8m). Page 28

Hong Kong's battering goes on While Hong Kong was



Hang Seng Index ('000) auffering its worst week aince the 1987 crash and its litters spread through the Asian region, stock plunged 16 per cent and Japan stood still, Europe as a whola rose 1.5 per

1989 cent, with strong show-ings by Switzerland, Italy and the UK, and Can-ada and South Africa were also in buoyant mood. Page 48

Fine as far as it goes

The recent rainstorms were welcome to the farming community and did some good. How-ever, in most areas the moisture deficit for auch crops as autumn-sown wheat and barley remains at critical levels, writes David Richardson in his Farmar'a Viewpoint. Page 36

Unigate held back by salmonella outbreak



Unigate, the food and distribution group chaired by Mr John Clement (left), yesterday reported a pre-tax profit of £100.5m (\$155.7m) for tha year ended March 31 1989, a 7 per cent ncrease on the previous year. The results, in line with market expectations, were held back by an over-supply of chick-

ens in the wake of public concern over the salmonella contamination of eggs and poultry which received widespread publicity last

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Saab-Scania hit by loss in cars division

By Robert Taylor in Stockholm

SAAB-SCANIA'S car business plunged to a SKr450m (\$68.2m) loss in the first four months of this year — the result of fierce competition and falling sales in the US market — and the company indicated yesterday that the division was heading for a SKr1bn loss this year.

Mr Georg Karnsund, president of the Swedish aerospace and motor group, said the division would continue to make losses at the same rate for the rest of 1989.

Despita reasonable perfor-

Despita reasonable performances from the trucks and aircraft businesses, the sharp decline on the car side hit Saab-Scania's overall pre-tax profits, which totalled SKr642m in the first four months on consolidated sales of SKr14.765bn.

In the same period of 1988 pre-tax profits totalled SKr605m and consolidated sales SKr12.933bn, but these figures were depressed by a white-collar strike which cost tha group an estimated Mr Karnsund said the first five

months of the year showed a 12 per cent drop in Saab's US car sales, from 15,584 units to 13,549. The US has been Saab'e most lucrative overseas market.

But outside the US the car division has been dring researchly. sion has been doing reasonably well. In the first four months of this year, it enjoyed a 15 per cent improvement in sales to Britain,

46 per cent to Italy and 30 per cent to West Germany. Total sales for the period amounted to SKr5.561bn (SKr5.23bn last year) and a total of 38,400 cars were sold, compared with 39,300 for the same period of 1988.

Saab has introduced a rational institut programme designed to

Saab has introduced a rational-isation programme designed to cut car production by up to 6,000 units a year, reducing output to around 120,000. It will mean cuts in manpower at the main plants, chiefly through natural wastage. But Mr Karnsund said yester-day that this contraction would not make a financial impact until not make a financial impact until

next year.

He said long delivery times meant that Saab could not adjust rapidly to the changing market.

He would not be drawn into discussion on speculation that the group is looking for a co-operation arrangement with a foreign car manufacturer.

Deliveries of trucks and buses

Deliveries of trucks and buses rose by nearly a third in the first rose by nearly a third in the first four months, compared with the same period of 1988, and sales rose to SKr5.781bn, compared with SKr4.475bn for the January-April period of 1988, while the number of vehicles sold went up to 11,800, compared with 8,900.

Sales in the aircraft division rose only slightly to SKr943m from SKr941m. But the group's order books for its civil aircraft are now bulging.

Saatchi may sell its consultancy division

By Nikki Tait in London

SAATCHI & SAATCHI, one of the world's largest advertising and consultancy groups, is reviewing the future of its management consultancy arm — including the option of selling the business.

However, other possibilities are also being contemplated. An approximate the future of the future o

also being contemplated. An amnouncement about the future structure of the group could be made tomorrow, when Saatchi announces its interim figures.

A sale of the consultancy side would be a considerable emharrassment to Saatchi, which entered the business in 1984 with the acquisition of the Hay Group — a major diversification from its a major diversification from its core advertising business. By 1988 it was claiming to be the world's 10th largest consulting firm. In the year to end-Septem-ber, consulting accounted for about 22 per cent of revenues but only 19.7 per cent of profit. ment. Navsrtheless, Saatchi in March, Saatchi warned that shares rose 3p to close at 317.

1989 pre-tax profits would drop because of problems in the US. Speculation over a possible disposal of the consultancy arm, or a flotation or management buyout of all or part of the business, has surrounded Saatcht for some time. In the past, however, the company, has tended to play down suggestions that it would part with this division.

Yesterday, no one at Saatchi was available for comment. However, confusion followed a Reuters report suggesting that the

ters report suggesting that the group had confirmed it was con-sidering selling the consulting unit. A company representative was quoted as saying that what the group intended to do "depends largely on lining up a buyer at the right price."

Later, the company's public relations advisers refused to com-

King of the capitalists' club

Alan Friedman reports on the enormous power wielded by Enrico Cuccia

ach morning, just before 8 o'clock, a hunched and wrinkled 81-year-old gentleman wearing a tailored grey suit that hangs loosely over his delicate frame walks along a narrow passageway that runs behind Milan's famous La Scala operahouse.

Having taken his morning cof-fee at the bar of the Biffi Scala the little man with the slicked-down hair and piercing blue eyes strolls into the courtyard of an ordinary looking building that

ordinary looking building that bears no sign.

Despite his age, this man is a banker of enormous power and influence in Italy, a financial genius who since 1946 has given his personal approval to almost every hig deal in corporate finance.

He is Enrico Cuccia, and he is the honorary chairman and former managing director of Mediobanca, the Italian merchant bank that is currently in the eve

bank that is currently in the eye of a judicial storm.

Mr Cnccia, who is often described by the Italian press as the "Puppet-master of Italian finance," has just been indicted on criminal charges. He and Mr Vincenzo Maranghi, Mediobanvincenzo marangin, metiopan-ca's current managing director, will stand trial for allegedly hav-ing falsified Mediobanca'e bal-ance sheets hy operating a hid-den L24bn (\$16.6m) slush fund. The allegation is that the fund was used between 1976 and 1980 to pay unauthorised bonuses to bank executives and to favour some of the bank's clients with subsidised loans.

By yesterday morning the indictment had set tongues wag-ging throughout the clubby world of Milanese finance. For whatever the ontcoms of the case, Mediobanca is a power house occupying a central role in Italian corporate finance – though its position could be vul-nerable in the next few years, as the reshaping of the European internal market calls for greater international investment banking

international investment banking experience.

As for Mr Cuccia, despite the "honorary" nature of his position, he still works 10 hours a day and is involved behind the scenes in many of Italy's most important corporate deals.

Over the decades this obsessively secretive banker — it is said in Milan that he does not even "confide in his own shadow" — has transformed Mediobanca into the lynch-pin of Italian capitalism, serving as a

Italian capitalism, serving as a key consigliere, or adviser, to leading industrialists such as Mr Gianni Agnelli and Mr Leopoldo Pirelli.

Under his leadership, Mediobanca has acquired a string of strategic minority shareholdings that are also cemented by cross-holdings among the old families who belong to Cuccia's club. The club is known in Italy as the Sal-



"Puppet-master of Italian Unance"; Discountain Season Cuccia will stand trial accused of operating L24bn slush fund ster of Italian finance"; influential banker Enrico

otto Buono, or "good drawing room" of Italian capitalism. Admired by his friends for his talents at intricate financial engi-neering and damned by his crit-ics as a stubborn and vindictive man, Mr Cuccia is the architect of Italy's private sector network of power.

Among the numerous deals. Among the numerous deals: that he has orchestrated over the years were the 1966 creation of the Montedison chemicals concern, the ill-fated 1970 merger of Pirelli and Doulop, the 1976 deal that saw Libya become a Fiat shareholder — and the 1986 deal that helped the Libyans sell their Fiat stake for \$3.1bn and the Agnellis to boost family control of Fiat to nearly 40 per cent on of Fiat to nearly 40 per cent on the back of low-interest Medioh-

the back of low-interest medion-anca loans.

More recently, there was last year's controversial restructuring deal that allowed Mr Baul Gar-dini's Ferruzzi group to take con-trol of some of Montedison's prize

financial assets.

After that deal Mr Gardini was considered by the Italian financial community to have joined the Salotto Buono.

The Ferruzzi-Montedison deal sent the Milan bourse into a tail-spin, but Mr Cuccia seemed none too concerned. Mr Paolo Azzoni, a Milan stockbroker, says that the stock exchange has never loved Mr Cuccia "because he

he is so secretive that he is the opposite of a market operator." The managing director of one Milan-based bank who, like oth-ers, declined to be quoted by name when speaking of Mr Cuc-cia, said yesterday that "at nearly 82 years of age Cuccia is still going strong and Mediob-anca is today, as yesterday, still the clearing house for the big families and especially for the monarchy of Turin."

This last reference is to the

weli known financial intimacy between Mediobanca and Fiat, a relationship that has belped the Agnellis to prosper over the years. This has led to accusations from Rome politicians that Mediobanca has always served the interests of a tiny elite of Italy's old guard industrialists. The complaint of Italy's smaller entrepreneurs is that Mediobanca's near stranglehold

on corporate finance has, until recently, prevented those medi-um-sized companies outside the "club" from obtaining the kind of access to capital and financial engineering bestowed on big, pri-

vate-sector groups.

Until last year Mediobanca was majority owned by the state, but then a partial privatisation saw the state banks reduce their holding from 57 to 25 per cent. But critics say this has changed noth-

ing.
"If anything," says Mr Azzoni,
"things were changing during the
boom years of 1985-86 when companies could raise equity capital directly on the bourse. Now there has been a kind of Restoration and Mediobanca hs gone back to its old role of preserving the power structure."

One reason why Mediobanca is so strong is that it has few competitors in the field of corporate finance. SIGE, the investment banking arm of the IMI group, began to flex its muscles during the boom years, hut bas now become far less aggressive. Small boutione banks such as Midland Bank's Euromobiliare, Mr Fran-cesco Micheli's Sviluppo and Mr Jody Vender's Sopaf tend to pick up the crumbs that Mediobanca leaves behind. And while foreign hanks such as Morgan Stanley Goldman Sachs, First Boston, Morgan Grenfell and Schroders are successfully picking up a few merger and acquisition deals, none of these has the resources or connections in Italy yet to pose a real threat to the Cuccia

But Mediobanca could become vulnerable as 1992 approaches and more deals require interna-tional capital market capacity. Mediobanca was unable to handle the 1936 Euro-equity placing of Libya's Fiat stock on its own; this deal went to Deutsche Bank instead. Mr Cuccia does have a instead. Mr Cuccia does have a long-standing alliance with Lazard Frères of Paris (a Mediobanca shareholder) and the two banks share jointly the role of being the leading shareholders of Generali, the biggest Italian insurer. Together Mediobanca and Lazards own 10 per cent of Generali, which is capitalised at \$15hn, but their influence is enormous.

mous.
The indictment of Mr Cuccia had little impact at Mediobanca yesterday, where it was business as usual. One executive told the Financial Times: "You know I cannot talk or I'll be fired. You

know the rules here."
There is, howsver, a feeling among Italy watchers that Mr Cuccia's generation will give way during the 1990s to a more pluraldiring the bests to a more pairal-istic financial community. Mr Carlo de Benedetti, the head of Olivetti, seemed to be hinting at this last weekend when in a speech to young industrialists he lamented the absence of a "real market" in Italian capitalism amnd issued a call for more eco-nomic democracy.

How and when the Italian cor-

porate finance sector will open up is hard to say. In the mean-time, a small army of foreign bankers is trying to drum np merger and acquisition busine in Italy.

But they often find that, given the nature of the Cuccia club, one is either inside or ont, with little in between.

French Senate votes to prevent cross-shareholding defences

By George Graham in Paris

THE FRENCH Senate has voted for new legislation to prevent companies from defending them-selves against takeover through crossed shareholdings between parent and affiliate companies. These crossed shareholdings,

known in French as autocontrole", have been limited by law to 10 per cent of a company's capital since 1985, but still form a major bulwark in many compa-nies' defence mechanisms. The legislation takes the form of an amendment introduced by

the right wing opposition, and will have to go back to the National Assembly, the lower house, before passing into law. The Government has, however, accepted the amendment, which therefore stands a good chance of being voted in by the lower house.

Senator Etienne Dailly, who introduced the amendment, said that "autocontrole" was a "per-verted form of capitalism which

has no place in any other country. For the team in place, it is a way to insure against any ques-tioning of their management."

The system of "autocontrole"
has often been criticised as a weakness in the French system of corporate control, creating an economy of "capitalists without capital."

The move goes in the opposite direction to a number of recent initiatives by the Government, aimed at facilitating defences against hostile takeover bids, such as the authorisation of capital increases after a bid has been launched, and the obligation on investors to launch a full public bid if they pass the threshold of 33.33 per cent of a company's capital. against hostile takeover bids.

It may, however, have little effect if many French companies follow the lead of Compagnie Générale d'Electricité (CGE), which is asking its shareholders' assembly on June 20 to limit vot-

cent of the company's capital.

Pernod Ricard, the drinks group, already has a similar mechanism though with a limit of 30 per cent, while Lafarge Coppee, the cement producer, is pro-posing a more sophisticated version, limiting a shareholder's votes above 1 per cent of the capi-tal pro rata in line with attendance at the company's assem

Lafarge, whose chares are widely dispersed, had only 32 per cent of its stock represented at its 1988 assembly, and says that the measure would thus prevent someone from taking control with only a small proportion of

These mechanisme have These mechanisme have aroused some concern at the Commission des Operations de Bourse (COB), the French stock exchange regulatory body, but are axpressly permitted hy French company law.

This announcement appears as a matter of record only:



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Control Data disk-drive disposal

By Roderick Oram in New York and Louise Kehoe in San Francisco

CONTROL DATA, the struggling US computer hardware and service group, has sold its Imprimis Technology disk drive business for \$450m to Seagate Technology, a California competitor.

The combined operations will be the leading supplier of disk drives to computer manufacturers, with a US market share of around 35 per cent, at a time when Japanese makers are

starting to compete aggressively.

There is little overlap between
Seagate's and Imprimis' products.
While Seagate focuses primarily on the personal computer sector, Imprimis has aimed its products at the minicomputer and work-

The disposal of Imprimis marks a further retreat of Control Data from computer manu-facturing, a field in which it was once a leading player.

Most recently, in April it axed its ETA supercomputer division. It is concentrating instead on

computer services. Seagate is paying \$250m cash, a \$50m promissory note and 10.7m of its shares, equal to 18 per cent

of its equity. Mr Lawrence Periman, Control Data's president, will join the Seagate board. The Minneapolis company has the right to increase its stake in Seagate to 22

Control Data decided to sell because the "disk drive market

demands a continuous focus on

low-cost production and considerable investment in new technolo-

gies to remain competitive," Mr Robert Price, the chairman, said. The disk drive business has cost Control Data dear. Once the market leader, it missed the trend in the early 1980s to cheaper, smaller and faster drives, losing \$350m in 1985

Mr Perlman won considerable praise for turning round the division but, even so, analysts esti-mate it made operating profits of only \$60m on sales of \$1.15bn last

Seagate has recently lost momentum in the disk drive market, failing to move as quickly as some of its competitors to the smaller 3% inch diameter drives that are becoming increasingly



Canadian Imperial Bank of Commerce

NOTICE

to the holders of CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)

US \$200,000,000 Floating Rate Debentures due July, 1994 (the "Debentures")

NOTICE IS HEREBY CIVEN that, in accordance with Section 3.01 of the on July 24, 1989 (the "redemption date"). The Debeutures will be redemmed at 100% of their face value plus interest accrued to the redemption date (the "redemption price"). Interest on the Debentures will cease to accrue from the redemption date.

Payment of the redemption price will be made on or after the imption date at the specified office of any of the Paying Agents listed wagainst surrender of the Debentures together with the coupon due peow against surremer or the Dependings organise with the Coupon the July, 1989 and all miniatured coupons. Upon such redemption on the redemption date all miniatured coupons and the July, 1989 coupon relating to the Debentures (whether or not attached) shall become void and no payment shall be made in respect thereof.

Canadian Imperial Bank of Commerce (New York)
Commerce Place
425 Lexington Avenue
New York, New York

PAYING AGENTS Imperial Bank of Com Cottons Centre

Luxembourgeoise, 43, Boulevard Royal, P.O. Box 1108,

Morgan Guaranty Trust Company of New York Avenue des Arts, 35

Dated, London, June 13, 1989 for and on behalf of NATIONAL TRUST COMPANY



US\$350,000,000 Undated Floating **Rate Primary Capital Notes**

payable on 13th Becombar 1988 v/A be US\$470.21 per US\$13,800 Note, and US\$11,755.21 per US\$259,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED

CHARTERHOUSE

BANOUE PARIBAS



U.S. \$200,000,000

Undated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the three months interest period from 13th June, 1989 to 13th September, 1989 the undated Securities will carry an Interest Rate of 9%6% per annum. Interest due on 13th September, 1989 will amount to U.S. \$24.44 per U.S. \$1,000 undated Security.

Morgan Guaranty Trust Company of New York London Agent Bank

FINANCIAL SERVICES **BUDGET ACCOUNT**

Notice is hereby given that with effect from 21st June 1989 the interest charged on AA Budget Accounts will be 2.55% per month **APR 35.2%**

The Creditor under **AA Budget Account** is Bank of Scotland, N.W.S. House, City Road, Chester X, **CH99 3AN**

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		Company	Price	-	Cross	Yield	-
_	100			Change	qia (b)	*	P/E
		Ass. Brit. had. Ordinary		٥	10.3	31	9,1
38		Armitage and Rhodes			-	-	-
33		SBS Design Group (USM)	30	0	2.1	6.8	7.3
220	149	Bardes Greep		8	2.7	1.4	34.2
124	105	Bardon Group Cx. Pref. (SE)	123	0	6.7	5.4	-
123	190	Bray Technologies	100	0	5.9	5.9	2.8
110		Brankill Copy. Pref		0	11.0	10.2	
305	285	CCL Croup Ordinary	299m		14.7	4.9	3.7
176	168	CCL Group 11% Com. Pref	176	0	14.7	14	
210	140	Carto Pic (SE)	205	0	7.5	3.7	12.1
110	109	Carbo 7.5% Pref SED	110		10.3	9.4	
404	355	George Blate	404	+2	12.0	3.0	8.9
123	119			0			164
184	115	Jackson Groce SE	180	0	7.3	39	10.5
322	261	Muhillower MV (AcreSE)	305	0			
115	98		115	+1	7.5		43
467		Scruttons	467	0	18.7		124
287		Torday & Carliste		+2	9.3	32	10.0
117		Tortay & Carliste Cory Pref	117	ō	20.7	21	-4.0
122		Trevian Holdings (NSM)	98		2.7	2.8	10.5
127		Unistrat Europe Coor Pref		+2	9.3	7.3	
395		Veterlassy Drog Co. Pic		-	22.0	3.6	9.4
		WSYMM	333mi	ŏ	16.2	4.9	27.8

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Prices taken at 5pm and change is from previous close at 9pm

US \$100,000,000



Allied Irish Banks plc

Floating Rate Notes Due 1995

Subordinated as to payment of principal and interest

Interest Rate

93/16% per annum

Interest Period

12th June 1989 12th December 1989

Interest Amount per U.S. \$10,000 Note due

12th December 1989 U.S. 8467.03

Credit Suisse First Boston Limited Agent Bank

INTERNATIONAL CONFERENCES & EXHIBITIONS

The Financial Times proposes to publish this survey

17 JULY 1989

For a full editorial synopsis and advertisement details, please contact:

> **JEREMY BAULF** on 01-873 4026

> or write to him st:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

U.S. \$50,000,000

Crédit Chimique

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1989 the Notes will carry an interest Rate of 91/4% per annum. The

Wells Fargo & Company U.S. \$150,000.000

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Securities Association

Magna strongly ahead By Robert Gibbens in Montreal

the third quarter and nine months ended April 30. Third-quarter earnings were

Nine months' earnings were share, on sales of \$1.4bn against \$1.04bn.

By David Buchan in Brussels

retailer, has announced it is making an agreed \$122.5m bid to gain total control of Scot-ty's, a Florida-based do-it-your-self chain.

GIB already owns 42.4 per cent of the US company's 14.7m shares, and has reached

buy the remainder at \$16.50 per share in cash.

turnover of \$550m. GIB, which is Belgium's larg-

mone said his latest block of Lockheed shares had been close links with the Pentagon.
The next day Lockheed announced a wide-ranging

acquired at prices ranging from \$47 to \$49. Our Financial Staff adds Lockheed earlier this year reported a 42 per cent fall h net profits from continuing operations, which it attributed

to the end of its \$6.60n programme to build C-5B cargo aircraft for the US military. First-quarter profits wen into their earlier trading range down to \$63m or \$1.06 a share from \$108m or \$1.74 a year ear lier. Revenues were down by I'm per cent to \$2hn, from \$239km. The company forecast a 23 per cent decline overall in profits for the full year.

of around \$47.
Yesterday, Mr Simmons reiterated that he was buying Lockheed shares "for investment purposes," although he added that he might consider hidding for control of the company in the future. Mr Sim-

Northwest pilots warn of strike

By Anatole Kaletsky in New York

MR HAROLD SIMMONS, the Dallas takeover specialist whose disclosure of a hig

investment in Lockheed two

months ago coincided with a

wide-ranging financial restructuring of the big US

aerospace company, announced yesterday that he

had increased his stake to 6.25

Mr Simmons's disclosure immediately led to a jump in Lockheed's share price, which

rose by \$1% to \$50% in active

trading, despite the general decline on Wall Street. How-

ever, arbitragsurs expressed caution about Mr Simmons's

intentions, noting that he had

By Roderick Oram

PILOTS AT Northwest Airlines say they might strike if NWA, the carrier's parent, accepts a takeover offer unacceptable to tham, particularly one financed by "excessive debt."

Their union says such an Their union says such an offer would require asset sales and other actions which would turn Northwest from "one of the strongest major arities in the US* to a "financially crip-pled second-tier carrier."

Little is known of the four or so deals offered, although each would rely heavily on

debt to achieve a value of more than \$30a.

The greatest concern has been raised by the offer from Pan Am because of the weak financial performance of its airline operations. NWA recently rejected all the offers and asked for improved terms.
Tha 5,000 pilots delivered their message in a strongly worded open letter to NWA's board reproduced in a newspaper advertisement. They aggressively attacked Wall Street's "money-changers" who "dream about quick and

easy profits."
"As major stakeholders in the future success of Northwest Airlines, we will do what-ever is necessary to protect our jobs as Northwest employees and our careers as profes-alonal pilots," they declared.

Half the pilots have been working without a contract since 1986 and the other halfformer employees of Republic Airlines which NWA acquired,

since 1987. Last autumn 96 per cent of the pilots voted for a strike rather than accept the man-agement's contract offer. NWA covernment arbitration. Negotiations are due to resume

Tenneco to sell car parts

Peter Marsh on an ambitious investment strategy s 20 per cent increase on the figure for 1988. Dow Chemical, Exxon, the US oil company, plans to spend worldwide this year on

restructuring, which did not.

however, involve any immedi-

ate payments to shareholders. Mr Simmons expressed his dis-

appointment and 24 hours later announced that he had cut his

stake to 4.2 per cent. Lock-

heed's sheres soon fell back

Exxon Chemical plans to

splash out \$1bn on plant

of around \$47.

\$1bn worldwide this year on plant investment, nearly double the figure for 1968.

The spending projection, which compares with Exxon Chemical's \$571m capital investment last year and the \$298m it spent in 1987, indicates the current boom conditions the three plants of the project in the plants of the project in the plants of the plants tions in the global chemicals

INTERNATIONAL COMPANIES AND FINANCE

Dallas raider lifts Lockheed stake

previously wrong-footed the market when he unexpectedly sold some of his shares in

Mr Simmons, who has accu-

mulated a fortune of over \$1bn by speculating in takeovers

through his publicly quoted master company, Valhi Inc, disclosed his initial Lockheed

investment on April 3, when he said that he had accumulated a 5.3 per cent stake. The raider's

statement sent Lockheed

shares up \$3% to \$50, even though analysts on Wall Street pointed out that a hostilebid for the aerospace company would be extremely difficult bacanse of its

Demand for many industrial chemicals has risen steeply in most developed nationaring a past two years, triggering a wave of optimism and bullish

wave of optimism and bullish investment plans by many big chemical companies.

Exxon Chemical, with sales last year of \$10bm, is one of the world's biggest suppliers of basic chemicals derived from oil and gas, particularly ethylene and propylene. Such materials form widely used feedstocks in the chemicals business minerically for mobusiness, principally for pro-duction of commodity plastics. Exxon, which is the US's third-higgest chemicals business and is in the top 12 chemicals groups worldwide, is also a major player in plastics. It is a large supplier of both polyethylene and polypropylene.

The investment plans by the company may worry some observers concerned about possible overheating in the chemi-cal industry. According to some onlookers, the large cani-tal projects amounced in the past year by many companies in the business may lead to overcapacity in some key chemicals, such as ethylene, in the early 1990s, producing a downturn in prices and profits.

According to industry force.

casts, total plant spending by the chemicals business in the US in 1990 will be some \$24bn.

the funds into areas with

greater growth and profit potential.

Tenneco 'Automotive Retail operates 709 silencer shops under the Speedy Muffler King, Car-X and Pit-Stop names in the US, Canada, France, Bel-

gium and West Germany, accounting for \$260m of Ten-neco Automotive's \$1.7bn in

revenues in 1988.
As part of the agreement,
Tenneco's Walker Manufactur-

ing and Mouroe Auto Equipment units will continue to supply the retail shops in North America

and Europe.
Tenneco did not disclose the

ngure for 1988. Dow Chemical, Quantum. Chemical and Phillips are among several big US companies planning large increases in capacities in mate-rials like ethylene.

Others in the industry say

John Akitt: looking for

the investment plans are entirely justified. There was very little plant building or

expension during the early to mid-1980s when the industry was in depression," said one chemicals consultant. "The investment we are seeing now

is to make up for the lack of activity in that period."

Much of the \$1bn capital spending envisaged by Exxon Chemical for 1989 will go

towards increasing output at

eleting plants.
Mr John Akitt, president of

the basic chemicals unit of Exxon Chemical and head of

the company's non-US thought it "more prudent" to take this approach rather

expansion in Japan

building new production units. The company plans to spens more than \$100m on its shar of an expansion at a chemical plant in Mossmorran, Scotland which it runs jointly with the Royal Dutch/Shell oil and chemicals group. This will lead to a significant increase is Exxon's worldwide production of ethylene, of which it is the third largest supplier after

Exxon is also stepping up investments at other chemical plants, including sites at Nota Dame de Gravenchon in Nor nandy, France, and Baytown

The company is studying proposal to start polypropylen production at Notre Dame di Gravenchon. So far Exxon has

Far East, which accounts for just 13 per cent of the chemica division's sales as opposed to 56 per cent in North and South America and 31 per cent in Western Europe.
Exxon was planning, he said

to increase output from its plants in Japan which make paraxylane, a material pro-duced from oil refining that is Mr Akitt said Exxon was also looking at the possibility of starting manufacture in the

Far East of ethylene and polyethylene, materials which it currently makes only in North America and Europe. Produc-tion of such chemicals in the done through joint ventures with chemical groups which than spend large sums on have a presence in the region.

retail side in reshaping **By Our Financial Staff**

TENNECO, the diversified US industrial group, is to sell the retail division of its auto parts

unit, Tenneco Automotive, as part of a restructuring expected to generate about \$46m in free cash.

The restructuring also

includes the acquisition of a brake manufacturing plant in Cartersville, Georgia, and the previously announced acquisi-tion of the shock absorbers division of Armstrong Equip-ment, the UK engineering com-pany and manufacturer of industrial fasteners.

A definitive agreement has been signed to sell the division, which has its headquarters in Toronto, to a group of Canadian investors led by Mr Stanley Goldfarb and Mr Fred Karp, chairman of Speed Muffler King the company said

Tenneco did not disclose the terms of its acquisition of Cartersville non-asbestos brake manufacturing facility from Interfriction USA and Friction Materials of America.

But Interfriction, a maker of auto brake friction material, will continue its Canadian operations. Tenneco said King, the company said.

The company did not disclose terms, but a Tenneco official said the purchasers valued

the transaction at more than Tenneco says it is "initiating aggressive actions to redeploy capital, and that its anto

operations, Tenneco said.

The company said its recently announced acquisition of Armstrong's shock absorbers division for \$39m will complement its Monroe shock absorbers business in nuit is selling assets outside its core manufacturing business and redeploying

STRENGTH in North America's vehicle output brought a sharp increase in profits for Magna Interna-tional, Canada's largest car components manufacturer, for

C\$7.6m (US\$6.3m) or 27 cents a share on sales of \$541m, against \$5.8m or 21 cents on sales of \$421m a year earlier. \$26,2m or 94 cents a share, up from \$16.6m or 60 cents a

Scotty's control for GIB

GIB GROUP, Belgium's largest an agreement with Scotty's to Scotty's currently operates some 164 stores with an annual

est private employer, has a turnover of some \$4bn a year.

third largest supplier after Dow and Shell.

confined its manufacture of this material, use of which is growing faster than for any other commodity plastic, to the looking to expand its operations in Japan and the

used in polyester fibre.

FINANCIAL TIMES CONFERENCES

TELECOMMUNICATIONS AND THE EUROPEAN **BUSINESS MARKET** London, 10 & 11 July 1989

With the mounting demands of corporate users for the rapid interchange of both data and voice traffic, the focus of the telecommunications industry is switching focus of the telecommunications industry is switching increasingly towards consumars. This transition is being influenced by the approach of 1992 and a recognition of the critical role of telecommunications in a single European market, as well as the International trend towards deregulation and continuing advances in technological Innovation.

This Financial Times conference will provide a vital opportunity for manufacturers, network operators, service suppliers and users to come together to debate tha important lesues and to examine the development of aoma of the new services which are likely to have a profound influence on the future of the industry.

WORLD MOTOR CONFERENCE

Frankfurt, 13 & 14 September, 1989 The FT World Motor Conference held biennially in Frankfurt has achieved an Impressive position among motor industry events. This year sees a remarkable platform of speakers. Dr Carl Hahn of Volkswagen is to open and Helmut Werner of Dalmier-Benz is to deliver a major paper on trucks. John Day of Aliled Signal has accepted the Invitation of the FT to open the section of the conference devoted to components. Dr Umberto Agnelli of Fist and Rsymond Lévy of Ranault are two of Agness of rise and resymption Levy or realizant are two or the other leading car industry figures who have agreed to speak. Sten Langenius of Volvo Trucks is also on the panal and among the American manufacturers who will panal and among the American manufacturers who will be speaking is Jack F Smith of General Motors. Dieter Ullsperger, the financist head of VW, will close the conference which is to be chaired by Don Kress who now advises the international Motor Vehicle Programme at M.I.T.

RE-REGULATING EUROPE'S FINANCIAL SECTOR London, 16 & 17 October, 1989

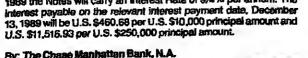
The Financial Times has in recent years arranged a series of successful conferences on financial regulation in co-operation with Deloitte Haskins & Sells. These have festurad plensry sessions of considerable authority but have also included workshops that have authorny but have also included workshops that have provided a significant opportunity for delagates to discuss quite detailed questions. Re-Regulating Europe's Financial Sector represents the extension of this format to the European stage and an exceptional panel of speakers includes Sir Leon Brittan, QC, Vice President of the Commission and Dr Huib Mulier, the new Chairman of the Basia Committee. Deloittes have prepared a programma of workshops that will enable participants to assass the regulatory position in whichever European Community countries are of particular interest to them.

All enquiries should be addressed to: Financial Times Conference Organisation Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ Tel: 01-925 2323 (24-hour answering service) Telex: 27847 FT CONF G Fax: 01-925 2125

London, Agent Bank June 13, 1989

By: The Chase Manhattan Bank, N.A.







AKTIENGESELLSCHAFT

U.S. \$50,000,000 Floating Rate

Subordinated Notes Due 1992

For the three months 13th June, 1989 to

13th September, 1989 the Notes will carry an interest

rate of 91/16 per cent. per annum.

Interest payable on the relevant interest payment dats, 13th September, 1989 against Coupon No. 32 will be U.S. \$120.59

Listed on the Luxembourg Stock Exchange.

By: Morgan Guaranty Trust Company of New York, London

Agent Bank

Boss of Fiat

forecasts

in sales

By Kevin Done and

John Wyles in Turin

MR CESARE Romiti,

managing director of Italy's

Fiat group, forecast yesterday

that the company's sales

would rise hy 18 per cent this year to L52,000bn (\$35.8bn)

and towards L70,000bn by

He implied that 1989 would

would bring yet another record profit for the group

after last year's net income of L3,026bn. "This year is emerg

ing as better than 1988 in all sections of the business," be

told a group of British journal-

He also revealed that Fiat's

consolidated turnover would

18% boost

INTERNATIONAL COMPANIES AND FINANCE

UK plastics groups merge to assail European market

By Clay Harris in London

ANCE

SCOTT & ROBERTSON and Alida Holdings, two British plastic packaging groups, announced an agreed merger yesterday which will create Europe's largest maker of polythene film.

The combined group's annual output of more than 140,000 tonnes of polythsne film will lift it above Fardem, part of the Dntch chemicals company DSM, in the European league table. However, although this figure accounts for a quarter of UK production, it is less than 3 per cent of the

European total The merger will take the form of a mostly paper bid by Scott, which values Alida's

By Our Financial Staff

AKER, the Norwegian offshore

and construction concern, yesterday reported pre-tax profit after financial items of

NKr55m (\$7.6m) for the first four months of 1989, compared

with a NKr38m loss in the same period of 1988.

extraordinary items of NKr2m

this year, compared to NKr190m a year earlier. Aker, Norway's biggest pri-

By Haig Simonian in Frankfurt

THE WEST GERMAN

Government confirmed yester-day that it had been informed

some time ago of the talks tak-ing place between Fried. Krupp, the German industrial

group, and Salzgitter, the state-owned steel and engineer-

ing concern, over potential co-

whether the discussions, which in the first instance involve

Stahl, Krupp's steel-making subsidiary, and Peine-Salzgit-

could en as far as a full merger

The total posterior in the

However, it remains unclear

The result was struck before

Scott and Alida respectively, said the enlarged group would launch an aggressive assault on the fragmented continental

There is little overlap between the companies' prod-ucts. Scott is the larger volume producer of film, expanding in recent years with the acquisi-tion of British Visqueen from ICI and Calnay from CH Indus-

However, its industrial and horticultural products have low margins. In 1988, Scott made pre-tax profits of 22.6m on turnover of £77.4m, while Alida's total was £5.1m on

sales of \$65.3m.
Alida specialises in printed ordinary shares at £44m (\$67.8m).

Mr Cameron McLatchie and Mr Rex Stone, chairmen of Mr Combined group will be

vate company, repeated earlier forecasts that it expected profit

of NKr500m after financial items in 1989, sharply up from last year. Profits in the first

four months of the year are normally small because of the traditionally low level of con-struction activity.

Turnover in the first four months of 1989 was NKr4.52bn

against NKr4.72bn, with a fall in domestic turnover partly off-

nies, as has been variously

indicated.
According to Krupp, the talks have concentrated on cooperation in speciality coated steels, with the possibility that

the two companies might set up a new joint mill.

The prospect of Krupp tak-ing over Salzgitter, creating Germany's 11th biggest com-pany and its second higgest steelmaker, has triggered mixed reactions among other leading steel and engineering

leading steel and engineering

Hoesch said it had no interest in bidding for Salzgitter.

However, the company admit-

RTOUDS.

Bonn knew of Krupp/Salzgitter talks

Aker records NKr55m profit

the UK's leading recycler of

For every five Alida shares Scott is offering four ordinary shares, four convertible prefer ence shares and £1.96 in loan notes. Before Scott's shares slipped 5p to 298p, this valued Alida at 392p, against a market price 90p higher at 365p. A sep-arate offer will be made for preference shares.

On full conversion, the paper to be issued to Alida shareholders would account for 52.4 per cent of the enlarged share capi-tal. This would dilute the 29.9 per cent stake in Scott held by PCL Industries to less than 15 per cent. PCL is a diversified Canadian plastic packaging

company.

The offer has the backing of holders of 49 per cent of Alida's

set by increased sales in the international cement business.

Aker added that the Norwe

gian construction and civil engineering market was likely

to stay at a low level this year and parts of the offshore busi-

ness faced reduced activity. Last year Aker's profits fell to NKr157m, from NKr474m in

1987. The company has been through a major restructuring

ted that it had sounded ths

Government out about the possible timing of a Salzgitter sale.

Meanwhile, Thyssen, Ger-

many'e biggest steel producer, which launched an abortive

initiative to acquire Krupp last year, said it had "taken notice"

of the talks hnt gave no indica-tion whether it might be inter-

The Bonn Government has

long indicated its willingness to privatise Salzgitter, but has been impeded by the once loss

making company's gradual recovery during its restructur-

ested in Salzgitter.

to cut its debt burden.



Fourtou term at

By George Graham

MR JEAN-RENE Fourton has been reconfirmed as chairman of Rhône-Poulenc, ending spec-ulation over his future at the head of the French state-con-

trolled chemicals company.

The people who hold the chairs of French state companies are nominated for three-

agement consultant named by the right-wing Government in July 1986 and widely considered to be politically commit-ted to the centre-right UDF party, had been viewed as one of the industrialists who might

The socialist Government, however, has repeatedly stated that it would not conduct a witch hunt, and would judge state industry bosses only on

their competence.

A number of political appointments have been made since the socialists returned to power in May 1988, notably the replacement of two fervent advocates of privatisation, Mr Jean Dromer at the UAP insurance group and Mr Jean-Max-ime Léveque at Crédit Lyon-nais, the second largest state bank. Some other bosses named by the right, including Mr Raymond Levy at Renault and Mr Francois Heilbronner at the GAN insurance group, have also been reconfirmed.

By Maurice Samuelson STATOIL, the Norwegian state oil company, has agreed to sell 9.6 per cent of the Snorre oil than NKr30bn.

Jean-Réné Fourtou: end to

wins second **Poulenc**

year terms, and many of those named under the right-wing Government of Mr Jacques Chirac, between 1986 and 1988, are coming up for confirmation this summer. Mr Fourtou, a former man-

Statoil to sell North Sea field stake to Japanese

and gas field in the North Sea to Idemitsu Kosan of Japan. The stake is worth up to NKrl.5bn (\$207m).

The transaction, subject to approval by the Norwegian and anese Governments, is part of Statoil's financial restructuring plans, as Norway's biggest company copes with the effects of falling oil prices, high debt levels and cost overruns in a refinery project. It also reflects Japan's

attempt to widen its interna-tional oil holdings and would be its biggest so far in the North Sea.

Idemitsu is one of a handful

of Japanese concerns which earlier this year requested acreage in the UK sector of the North Sea under the current round of licensing applications.

The Snorre field, off central Norway is due to come on Norway, is due to come on

MR JOHN Ashcroft chairman

and chief executive of Coloroll,

the home products group, more than trebled his salary from £162,000 to £517,000 last year. Two other senior directors

also received threefold pay

increases, according to Coloroll's recently published

the year to March SI. Mr Eric

Kilby, group financial director,

stream in 1992 and is being developed at a cost of more

Statoil has agreed to sell Idemitsu a 9.6 per cent stake in North Sea blocks 34/4 and 34/7 which comprise the Soorre field and part of Statfjord East. Statoil hopes the disposal will help to improve its own equity capital structure and reduce its investment commitment in the next few years. The price Idemitsu will pay

is partly linked to future oil prices and will be between NKrl.lbn and NKrl.5bn, Statoil said in Stavanger yesterday. As well as cutting Statoil's share in Snorre to 10 per cent from 19.6 per cent, the sale would cut the Norwegian Government holding from 51 per cent to 41.4 per cent.

There have been suggestions that with its heavy develop-ment costs, the Snorre field might fail to make money for

and Mr Philip Green, group managing director, saw their salaries rise from between £110,000 and £115,000 to

between £350,000 and £355,000. Mr Ashcroft would not com-

ment on his own salary rise. But be said he felt "very com-

fortable" about the pay rises

for Mr Kilby and Mr Green. He said the increases were determined by Coloroll's three

Coloroll chief trebles salary

ers the deal as an important hasis for a long-term land expanded commitment in Norway," said Statoil. "The Japanese company will escalate its operations to include develop-ment and production in Nor-

in two Norwegian offshore exploration licences in blocks 16/3 and 33/12b.

Statoil has said it will cut costs by NKr2bn by 1991 and reduce staff levels by around

15 per cent. In addition to the Norwegian Government and Statoil, the Snorre field partners include the operator, Saga Petroleum, (11.3 per cent), Esso Explora-tion and Production Norway (10.3 per cent), and Deminex

Norge (10 per cent).
Other partners are Norsk
Hydro, Elf Aquitaine Norge, Amerada Hess Norge, Texaco Eastern Norway, and Det

non-executive directors, who had based their decision partly

on the group's performance and partly on the salaries of executives in comparable posi-

Coloroil's earnings per share

rose 11 per cent from 20.8p to 23p in the year to March 31.

Pre-tax profits and sales dou-bled to £55.6m and £565.1m dur-

tions at other companies.

rise by L6,000bn next year as a result of the consolidation into the group of holdings in the Rinascente retail chain and of Flat's insurance interests in Conversion of convertible

conversion of convertible obligations currently beld by group financial bolding companies will give Fiat 100 per cent control by the end of 1990 of the Mito investment company, 53.5 per cent of Sais, which owns Rinascente, and

51 per cent of Toro.

• ENICHEM, the chemical subsidiary of the Italian state energy group Ente Nazionale Idrocarhuri (ENI), boosted 1988 consolidated net profit to L496bn from L131bn in 1987. Consolidated pre-tax profit surged to L610hn from L150hn Turnover advanced to L7,340bn from L6,100bn. The gross profit was L2,580bn

Olivetti and Sanyo in joint fax venture

By Alen Friedman in Milan

OLIVETTI, the Italian office group, unveiled plans yester-day to build a facsimile manufacturing plant in sonthern italy with Sanyo Electric and Mitsui of Japan as partners.

Production will begin next year and the aim is to produce

200,000 fax machines each year starting in 1991. For Sanyo Electric the fac-

tory at Pozzuoli near Naples will be its first fax plant in Europe. The initial investment in the plant will be more than Lire 20bn (\$13.7m) and the ven-

ture will be 51 per cent con-trolled by Olivetti, 39 per cent by Sanyo and 10 per cent by Mitsui, This is a large Japanese trading house which could act as a channel to supply compo-

All three companies plan to distribute the fax machines under their own trademarks, with around 60 per cent of annual production destined for

sale outside Italy.
Until now Olivetti hae
bought in fax machines from
Canon, Ricoh and Sbarp and

sold them under its own name Last year Olivetti was the third leading distributor of faxes in Italy, with a 20 per cent share of the domestic market of 200,000 units.

Olivetti will instal the new production lines for faxes in an existing facility it has at Pozzuoli, Sanyo will contribute the technological know-how. The Italian company eaid

yesterday that it expects the Italian fax market to grow hy

40 per cent a year between now

Swedish group creates unit

L M ERICSSON, the Swedish telecommunications equipment company, said yesterday it is combining its cables and network engineering operations in a new business unit effective July 1, Reuter

reports from Stockholm, The new unit will employ around 10,000 people and have an annual turnover slightly above SKr6bn (\$890m), making it the company's second largest business area after public

The partners of Freshfields announce the recent opening of an office in

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Profit Increase of 21% To HK\$3,630 Million

1989	1988
Turnover HK\$M 11,837.1	9,915.4
Attributable profit HK\$M 3,630.5	2,991.8
Earnings per share HK cents 32.7	27.1

- Attributable profit and earnings per share increased by 21 percent over last year.
- The increase in turnover by 19 percent is primarily a result of the volume growth in international telephone services. Other areas having significant growth were mobile radio telephone, fax, and leased circuits.
- The final dividend of 11.5 cents per share gives a total distribution for the year of 22.5 cents and is equivalent to 69 percent of attributable profit.
- The Group remains committed to a substantial investment programme which will continue to provide Hong Kong with one of the best telecommunications systems in the world. Capital expenditure during the year was a record HK\$2.4 billion and the Group plans to invest a similar amount in the current year.
- Borrowings have been reduced during the year from HK\$412.0 million to HK\$34.1 million.



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adopted since the market collapse, aimed at capitalizing on plunging prices to increase our investment in shares. This has enabled us this past year to completely offset the losses suffered in

Autumn 1987. At the end of 1988, the entire sum of clients' assets as well as funds under our management hit new highs. Clients' assets increased last year by 24.6%.

			
Key Data			
in Sfr. m	1987	1988	% Change
Net Revenues	69,1	67,3	– 3
Cash Flow	22,7	21,4	- 6
Net Income	16,0	15,4	- 4
Dividends	6,0	6,0	<u>-</u>
Total Assets	478,0	350,0	-27
Stockholders equity	78,5	87,7	+12
Staff	249	254	+ 2

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This notice is issued on behalf of Société Générale Merchant Bun pic, a member of the Securities Association and of the Stack

INTERNATIONAL COMPANIES AND FINANCE

An ageing fortune loser survives

Lynton McLain on the history behind the sale of Short Brothers

would choose to tell shareholders had news in advance of its proposed sale, but that is what Short Brothers did before last week's announcement by Mr Tom King, the Northern freland Secretary that the UK grown. retary, that the UK government-owned company would be sold to Bombardier of Canada. The bad news included Shorts being "bottom of the world aerospace league of capt-

tal investment per employee" and having an "inappropriate capital structure." In total, it was remarkable that Shorts, the world's oldest civil aircraft manufacturing

company and the largest com-pany in Northern Ireland, "still survived on the world stage," the company said.
The comments came from Mr Rodney Lund, the chairman, in his foreword to the latest annual report. The grim fig-ures in the accounts were the basis for the Government's decision to sell Shorts.

owner of Shorts for the past 46 years, the state of the company years, the state of the company was so serious that it decided the company could not be set free in the private sector without correcting the difficulties caused by years of financial neglect. The cost to the taxpayer will be £780m (\$1.21m). That is the amount the Government will plough into Shorts in write-offs and cash injections as a sweetener; in return for Bombardier paying return for Bombardier paying just £30m for the share capital Shorts has had a history of losses and crippling debt. Financially, it had never

For the Government, the

Bosing and McDonnell Doug-las. However, it has sold dozens of its small Shorts 330 and 360 commuter aircraft to US airlines and claims to have sold guided weapons to more countries than any other UK manufacturer.

The company lost £142.5m on turnover of just £191.8m in the year to the end of March 1988, when its balance sheet showed a deficit on shareholders' funds of £125 km. It had long taken of £175.6m. It had long-term debt of £76.6m and short-term debt of £193.1m. Its current liabilities were nearly £50m greater than its total assets.

However, the Department of Economic Development for Northern Ireland, in a note to the Commons Trade and Industry Committee, confused the picture of Shorts' assets.
It said: "The full value of assets used by Shorts in its business is not shown in its accounts because its premises are leasehold and it leases a

substantial part of its plant and machinery."

Mr King made clear on
Wednesday that the sale of
assets to Bombardier included
the Beifast Harbour airport

and its associated land. This has led to speculation that the privatisation might lead to a repeat of accusations made by MPs and others about the sale of Royal Ordnance and its land to British Aerospace at well below their actual asset

Shorts threw another concusing factor into the melting pot before its impending privatisation with the further statement by Mr Lund in the annual report: Shorts is a company so well thought of by its customers that it has an order book

close to £1bn. In spite of the large order book, Shorts has lost between 52.4m and £142.5m each year for the past five years, apart from a modest profit of £528,000

The views of its own chairman that the company was well thought of by customers, but at the bottom of the world investment league, might take some recon-ciling. However, Mr Lund also said that he found it difficult to come to terms with the fact that "a business owned by the British texpayer should have been starved of government aircraft and aerostructures contracts for a quarter of a century."
He claimed that government policy had led to a concentra-

tion of military aircraft and aerostructures work in other companies, presumably British Aerospace and its predecessor

Short Brothers, it appeared, was capable of winning orders, but of dubious profitability, while it had problems with its

underlying financial structure. These consisted mainly of the preponderance of debt and the high interest burden thus crested interest payments have risen from \$7.7m in 1984 through £10.1m in 1985, £15.8m in 1986 and £19.8m in 1987 to £25.5m last year.

to put Shorts on a sound linen-cial footing and allow it to survive independently through a sale to the management, or, nent, or. later on, through a flotation after it had consolidated its

Mr King believed that the panagement of Short Brothen needed strengthening from out side. He was advised by Klein wort Benson, the Govern-ment's merchant bank adviser on the privatisation, to sell Shorts for however little to a larger established aerospace company, once the Shorts bel-ance sheet had been transformed from being debt-rider and under-capitalised to being almost debt-free and freshly capitalised with £275m.

That sum was designed to recapitalise the company, eliminate remaining borrowings and meet expected future losses on existing contracts and programmes.
Of that sum, at least 20km, will be an interest-free loan, to

be cancelled progressively as Bombardier achieves its tar-

	SHORTS'	LAST FIVE	YEARS (2000)		
er ending Merch \$1	1984	1965	1986	1967	1954 199
nover ding proffi/(loss) prost	163,029 11,654 (7,752)	200,856 15,740 (10,151)	199,887 (13,570) (15,541)	225,976 9,981 (19,870)	191,571 (12,052) (25,462)
accumulated delicit	(2,371)	523	(27,225)	(19,949)	(142,464)
			- South	Short Brothers	raports and scoours

Panalpina plans growth throughout world

glowed with success in a world aerospace market dominated by large US companies such as

By John Wicks in Zurich

PANALPINA, the Swiss-owned ranalizina, the swiss-owned forwarding agent, intends to expand its international activities by internal growth and acquisitions.

The company is one of the world's top four international forwarders, with activities in 40 countries. It would like to grow all over the world, exclu-

ding countries with hyper-in-flation or insecure political conditions, said Mr Walter Schneider, company chairman.

Last year Panalpina bid for the international air cargo spe-cialist, Jacky Maeder, of Zurich, according to chief execu-tive officer Mr Gerhard Fischer. This company has since been taken over by Swis-

Mr Schneider denied rumours that Panalpina itself was a candidate for acquisi-tion. Nor did the company plan to go public, he added. Panal-pina is controlled by the pri-vate Swiss foundation, Gob-

The company has opened new air cargo centre at Heath row airport in the UK, a sub sidiary in Ghana and offices in Rotterdam and Chariotte, US.

Group turnover rose 16.8 per cent last year, from SF12.85th to SFr3.3bm (\$1.91bm). Gross operating earnings increased by 13 per cent to SFr434m.

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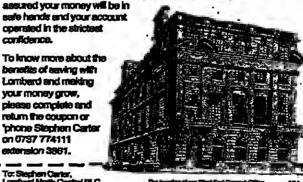
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INTERNATIONAL COMPANIES AND FINANCE

Closed loops that open new doors

Chris Sherwell on the strategy Lend Lease is applying to fresh areas

ooking around any Australian city, there is lit-tle direct evidence of Lend Lease Corporation. Look a little closer, and it is impossible to escape it.

On concrete cores of buildings under construction, the sign Civil & Civic denotes a Lend Lease subsidiary. The Lend Lease Interiors banner is on others being refurbished. Two landmark Australian sky-scrapers are owned by General

scrapers are owned by General Property Trust, the country's largest listed property trust house, which is also part of Lend Lease.

In financial services, Lend Lease owns the prominent MLC insurance group MLC Life, which ranks third behind the dominant AMP and National Mutual life offices, and MLC Insurance. The group also offers a wide range of also offers a wide range of investment products, and has a lucrative asset management

business.

Of Australia's top 30 companies — a list dominated by banks, mining houses and big industrial groups — Lend Lease is the only one with its main business in property. Unlike many prominent Australian companies, it attracts little publicity and even less adverse comment from anaadverse comment from ana-

Last year, for the first time, Last year, for the first time, it reported an after-tax operating profit above A\$100m (US\$74.6m). At the same time Mr Dick Dusseldorp, its Dutch founder and inspiration, retired as chairman. He came to Anstralia in 1950, formed Civil & Civic in 1951, and Lend Lease in 1958. Since then the commany's growth has been company's growth has been rapid: an investment of A\$100 in Lend Lease in 1958 was

worth A\$100,000 30 years later.
The company was also noted for its enterprise. General Property Trust, launched in Property Trust, launched in 1971, was Anstralia's first listed property trust, and now has A51.4bn in assets. in 1977 Lend Lease ventured abroad and set up International Income Properties in the US, now a big listed trust with US\$400m of retail properties. Then over 1983.85 it moved Then over 1983-85, it moved into financial services by acquiring full control of MLC.

Equally notable was Lend Lease's visionary philosophy. Through novel staff ownership

LASTER

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NE

Lend Lease Share price (A\$) Year and June 30 Net profit (A\$m)

schemes, well-tended links with investors and numerous corporate sponsorships, Mr Dusseldorp cultivated good relations with employees, shareholders and local commnnities. Currently, Lend Lease staff represent the group's larg-est shareholding block, with

est shareholding block, with around 26 per cent.

The most interesting feature of the group is what Mr Dusseldorp has called the "closed loop," a form of vertical integration in the services sector.

No less than 30 per cent of Lend Lease's property projects, by value, are now initiated by the group, not only planned. the group: not only planned, designed, built and fitted, but also financed, managed and refurbished for their economic life. In addition Lend Lease has

hie. In addition Lend Lease has a substantial lifts business with Kone of Finland, and is involved increasingly in com-munications technology. The idea is to generate prof-its through the creation, devel-opment and management of opment and management of property assets, rather than through their ownership, accumulation and realisation. The group minimises its risk in a volatile market by doing a large amount of work for third parties, such as the AMP, and through its General Property Trust, to which construction projects can be transferred.

Lend Lease is building the

Lend Lease is building the 50-storey Bourke Place in Melbourne for the AMP, and it was responsible for building Melbourne's bighly praised National Tennis Centre. The General Property Trust carries in its portfolio the Australia

Square building and part of the MLC Centre, both in Sydney, and the Riverside Centre in

With the acquisition of the MLC group, Lend Lease is now MIC group, Lend Lease is now trying to create a second "closed loop," this time in financial services – providing all the savings, mortgage, investment, superannuation, and life and general insurance products that individuals might need, from cradle to grave.

The focus, again, is the management of third party assets. Lend Lease is selling the idea of wealth accumulation using the well-known MLC brand name well-known MLC brand name – not just through insurance products but through a range of unlisted and listed trusts. The fees earned from managing these assets provide a significant, stable cash flow, and add protection against property market swings.

The man who has steered Lend Lease down this unusual path is 50-year-old Mr Stnart Hornery, who started with Civil & Civic in 1964 after graduating as an engineer. He

Civil & Civic in 1964 after grad-nating as an engineer. He quickly showed an inclination to manage, and rose to become managing director in 1978.

"I began casting around for something else for Lend Lease to do," he says, "because it was clear we had as much of the market as we could expect." International expension was an option favoured by Mr Dussel-dorp, but that was rejected. They also looked at resources,

but eventually abandoned that idea. Then the MLC opportu-

niea. Then the MLC opportu-nity came along.

MLC was a sleepy life insur-ance office which had once led its field. When MLC was threatened with takeover, Lend Lease, which was closely asso-ciated with it, hecame its white hight and took 20 per cent it knight and took 20 per cent. It commissioned a report on the group and discovered that, in Mr Hornery's words, it was a "solden exe."

"golden egg." Lend Lease lifted its stake to 51 per cent, swept out the MLC's board and management, and in three years halved the number of employees and agents. MLC Life has since doubled its assets to A\$5bn and become Lend Lease's second cornerstone after Civil & Civic. And Mr Hornery socceeded Mr Dusseldorp as chairman.

According to Australian Rat-ings, the local credit rating ings, the local credit rating agency, Lend Lease's earnings profile is now strong across all divisions, and particularly in property. At the end of the last financial year in June 1988, it had A\$300m of cash, borrowings of only A\$177m, no major off-balance sheet debt and an equity base of A\$644m.

Mr Hornery wants earnings to grow at 15 per cent each year, and in 10 years' time foresees a 50-50 split between Lend Lease's property and financial

Lease's property and financial services activities. But he says the current split between inter-national and domestic business, by which 90 per cent of the group's assets are Austra-lian-based, is unlikely to

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SEQUOR GROUP

Japanese seek chemicals joint venture By Peter Marsh

SUMITOMO CHEMICAL, a big Japanese company, is seeking shi Kasei. Like most Japanese she Kasei. Like most Japanese shi Kasei. L

activities, especially in speciality areas such as crop protection and drugs.

tection compounds as insecti-cides and fungicides. Sumitomo has annual agrichemical on and drugs. sales of about \$500m, making it sumitomo had sales last among the top 20 suppliers

year of Y397bn (\$6.1bn), mak-worldwide of crop protection ing it Japan's second largest materials and the second hig-

gest Japanese company.
About 50 per cent of Suni-tonous sales in this sector are outside Japan. In the US the company agreed a partnership last year with Chevron, a US chemicals group, covering joint marketing of Sumitomo's agri-

chemical products. Sumitomo is a medium-sized manufacturer of pharmaceuti-cals in Japan, and Mr Takeuchi said he was considering arranging other joint ventures in Runne for these products but Europe for these products, but has no firm proposals.

Tanker business boosts capital

ABU DHARI National Tanker ABU DHARI National Tanker Company (Admates), a unit of the state-owned Abu Dhabi National Oil Company, is boosting paid-up capital to DH400m (\$109m) from DH4m, apparently to prepare for expansion, AP-DJ reports.

The increase was made by royal decree and is aimed at "enhancing its position in the international tanker market," said an Admatro official.

said an Aduateo official.

The company owns five etroleum product tankers and three carriers, totalling

> Province of Alberta ponetrd under the laws of Alberta, Canada)

US\$ 500,000,000 losting Rate Notes due 1993 Notice is hereby given that the Rate of Interest has been fixed at 9-09375% for the nterest period 13th June,

1989 to 13th December,

The Interest amount payable

on 13th December, 1989 will be US\$ 452.27 in respect of US\$ 10,000 nominal

US\$ 11,556-64 in respect of US\$ 250,000 nominal int of the Notes.

Courtee her Bests of Cou

Agent Bank 9th June, 1989

1989.



CORPORACIÓN FINANCIERA ALBA, S.A. Grupo March

> has merged with

INVERSIONES BALBOA, S.A.

器 Schroders

J. Henry Schroder Wagg & Co. Limited

acted as advisor to Corporación Financiera Alba, S.A.

A.B. Asesores Bursátiles, S.A.

acted as advisor to Inversiones Balboa, S.A.

May 1989

This advertisement is issued in accordance with the regulations of The Stock Exchange, it is expected that admission to the Official List of the 7 1/sp (net) Committive Convertible Preference shares of 25p each to be issued pursuant to Rights issue will become effective and that dealines, nil paid, will commence to 13 June, 1968.

(incorporated in England – Registered no. 155302)

Hartwell plc is the holding company of a group of companies, the principal activities of which are motor distribution and servicing, heating services and bulk fuel distribution, and property investment and development.

ACQUISITION

THE CHARLES CLARK GROUP

THE FORD & SLATER GROUP

RIGHTS ISSUE

35.011,969 7 1/sp (net) Cumulative Convertible Preference shares of 25p each at £1 per share SHARE CAPITAL

Authorised 35,000,000

43,875,900

Ordinary shares of 25p each 7 %p (net) Cumulative Convertible Preference shares of 25p each

fully paid

Listing Particulars relating to the Company and to the Convertible Preference shares will be available in the statistical services maintained by Extel Financial Limited from today, 13 June, 1969. Copies of the Listing Particulars may be obtained during normal business hours up to and including 15 June, 1969, by collection only, from Company Announcements Office, The Stock Exchange, 48-50 Finsbury Square, London 802, and on weekdoys (excluding Saturdays) up to and including 5 July, 1969, the letest date for acceptance and payment in full under the Rights Issue, from:

de Zoete & Bevan Limited

Hartwell pic Faringdon Road Comnor Oxford OX2 9RA 2 Swan Lane London BCAR 3TS

Grant Thornton Corporate Finance Grant Thornton House Meaton Street, Buston Square

Midland Bank pic U.S. \$300,000,000 dated Floating Pate Price Capital Notes (Series 3) For the six months from June 13, 1989 to December 13, 1989 the Notes will carry an interest rate of 9.1825% per annum. On December 13, 1989 interest of U.S. \$465.76 and U.S. \$4657.80 will be payable per U.S. \$10,000 and U.S. \$100,000 Dr. The Chase Meskatha Bank, M.A. Lander, Agest Peak 0

> U.S. \$25,000,000 GUARANTEED FLOATING RATE NOTES DUE 1993 Libra Bank PLC

Nedlibra Finance B.V.

For the three months 14th June, 1989 to 14th September, 1989 the Notes will bear an innerest rate of 9½, % per annum and the coupon amount per U.S. \$100,000 will be U.S. \$2,411.81.

FT GUIDE TO WORLD CURRENCIES

Otyas 5.5871 1.8081 2.4612 3.6624 CShillings (Sant) (CFA Fri (Pa Aspa) (Disar) 10.8195 7.0132 7.0132 1.1715 1.5947 0.3871 0.1911 0.2601

TRADE INDEMNIT THE CREDIT RISK MANAGERS











NEVIS HOTEL DEVELOPMENT LIMITED

Nevis - Caribbean

US \$ 44.55 MILLION PROJECT LOAN

Partially Insured by the **Export Development Corporation**

> Arranged by **BANQUE INDOSUEZ**

Lead Manager Banque Indosuez Senior Manager

Crédit National

Managers

Banco di Napoli

Banque Nationale de Paris

Barclays Bank S.A., Paris The Daiwa Bank, Limited Crédit d'Equipement des Petites

et Moyennes Entreprises

The Fuji Bank, Limited

Generale Bank S.A./N.V.

The Industrial Bank of Japan, Limited

Standard Chartered Bank

Agent



BANQUE PARIBAS



U.S. \$400,000,000

Undated Subordinated Floating Rate Securities

In accordance with the provisions of the Securities, notice is hereby given that for the interest period 13th June, 1989 to 13th September, 1989 the Securities will carry an Interest Rate of 94% per annum.

Interest payable value 13th September, 1989 per U.S.\$1,000 Security will amount to U.S.\$23.96 and per U.S.\$10,000 Security will amount to U.S.\$239.58.

Morgan Guaranty Trust Company of New York London Agent Bank

US. \$600,000,000



Malaysia

Floating Rate Notes Due 2009

93/16% per annum

Interest Period

12th June 1989 12th December 1989

Interest Amount per U.S. \$10,000 Note due 12th December 1989

U.S. 9467.03

Credit Snisse First Boston Limited



THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK Griget Denmarks Hypotekbenk og Finansforva U.S.\$80,000,000

Guaranteed Floating Rate due 1990, Series 84 Unconditionally guaranteed by The Kingdom of Denmark

Notice is hereby given that the Rate of Interest has been fixed at 9.3125% and that the interest payable on the relevant Interest Payment Date December 13, 1989 against Coupon No. 13 in respect of US\$10,000 mominal of the Notes will be US\$473.39.

June 13, 1989, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANG

INTERNATIONAL CAPITAL MARKETS

Convertible securities win tax treatment concession

a concession in the tax treatment of convertible securities when the Finance Bill commit-tee met on Thursday last week. Under the original drafting, several types of Euro-convert-ible securities were threatened with extra taxation as so called deep-gain securities.

Eurobond houses are understood to have lobbled the Government to after the drafting of clause 90, schedule 11 of the Bill to exclude convertible hands with not and call bonds with put and call options from the provisions for taxation as income of gains made on deep-discount securities.

Mr Peter Lilley, a junior Treasury minister, told the committee that existing convertibles with call options would not slip under the deep-gain net simply by virtue of

therefore be taxed as capital gains. This means that invesgams. All search start inves-tors can use any gains to write off losses elsewhere in their portfolio, rather than be taxed at the higher income rate. Mr Lilley also announced that existing convertibles with

that existing convertibles with put options would be exempt from the provisions and that further consultations would be undertaken to decide whether convertibles with puts issued after June 8 this year should be subject to the income tax provision. The consultations are expec-

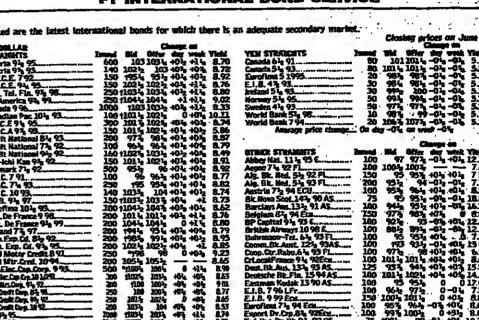
ted to take several months as the committee is seeking more advice on how to tax listed bonds which are linked to an index of equity values on a recognised stock exchange. Officials at some leading

the call option. Any gains Eurobond houses said they made on such securities would were pleased by the news, but pointed out that the terms of several recent convertible issues with put and call options had included alterations so that the redsuption clauses would exclude the instruments from any income

> An Inland Revenue official said there was no information as to how many investors in these instruments were poten-tially affected by the original drafting. Most UK institutional investors, particularly pension funds, are tax-exempt. However, securities houses

were concerned that under the original definitions, significant investors — including leading insurance company funds --might have found it unattractive to invest in convertible

FT INTERNATIONAL BOND SERVICE



PLOCUME BATE:
MOTES
AUTHOR & Let. BIG 94 £
Bank of Greece 99 U.S.
Belgium 91 U.S.
Credit Foncier 98 U.S.
Credit Foncier 98 U.S.

BELGIUM

The Financial Times proposes to publish a Survey on the above on

19 JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

RUTH PINCOMBE on BRUSSELS (02)513 2816 RUE DUCALE 39 HERTOGSTRAAT, B1000 BRUSSELS, BELGIUM.

or LINDSAY SHEPPARD at:

Number One, Southwark Bridge London SE1 9HI. Tel: 01 873 3225

INTERNATIONAL CAPITAL MARKETS

Profit-taking takes steam out of Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds pulled bac't from thumping overnight gains of a full point in the Far East to stand as much as 'a point higher at midsession yesterday as profit-taking ste into

last week's strong raily.

The profit-taking was not surprising given that the long

GOVERNMENT BONDS

bond rallied last week by more than three full points and that the dollar came off its overnight highs in the Far Rast. The dollar and the bond market are inextricably linked at

the moment.
At midsession, the dollar was quoted at Y148.55, compared with an earlier high in New York of Y149.45, and at DM2.0190 from DM2.0370 earlier. There was some talk in Tokyo that the Bank of Japan had been stealthily selling dol-lars and eimilar reports about Federal Reserve intervention surfaced in New York.

However, a series of com-

THE DOLLAR remained the

currency of choice for Euro-

market investors yesterday, with sizeabla deals emerging to

Late in the day, Credit

Suisse First Boston brought a \$200m seven-year deal for the

International Finance Corpo-

ration. The bonds came with an 8% per cent coupon and were priced at 101% to yield 50 basis points over Treasuries.

INTERNATIONAL

The spread against comparable

World Bank paper was about seven basis points. The issue was the first by

the IFC to carry a formal credit

rating - the World Bank affiliate was rated AAA/AAA by

Standard & Poors and Moody's

- and was designed to achieve

a benchmark for the borrower.

Syndicate managers gave the deal a warm welcome, saying

the bonds were well priced.

CSFB was quoting the paper at less 1% hid, while prices on

broker screens were around less 1.83 bid, inside underwrit-

ing commissions of 1% per

By Andrew Freeman

meet demand.

BONDS

ments by Group of Seven central banks at the meeting of the Bank for International Settlements served to keep the dollar well supported. Taken together, tha comments emphasised that intervention against the dollar was useless in such a bullish market and that the G7 had no specific tar-

cent yesterday and were at that leval when the Fed announced it was executing three-day matched sales. There is some consternation

long bond.
Current yields bear little relation to the level of the Fed

UK GILTS shed up to a point

cent. The proceeds were

nswapped. Crédit Lyonnais lannched a

\$200m seven-year deal via its

own underwriting arm. The bonds came with a 9 per cent

coupon and were priced at 101% to yield some 77 basis points over the equivalent US Treasury. After a satisfactory initial reception, when the

paper was quoted by the lead manager inside fees at less 1.85

bid, the issue was increased to \$300m. This had an immediate

effect, with brokers marking

their prices down to around less 2.15 bid, outside fees of 1%

However, a fall of about is point on the Treasury market was also blamed for the fall as

the lead manager saw the issue

spread narrow to 72 basis points. The proceeds were

Opinion on the increase was

divided, with some syndicate

managers saying it would create an attractively liquid issue for one of the best French bank

names. Others said the

increase was a mystery and that demand for the bonds was not strong enough to justify the larger size.

per cent

get ranges.
Fed funds traded at 9% per

about the extent and rapidity of the market rally, to a yield approaching 8 per cent on the

funds rate, with the yield on the 8.75 per cent 1991 issue of 8.26 per cent, more than a full point below funds.

yesterday, as further inflation-ary signals, together with a

BENCHMARK GOVERNMENT BONDS Price Change Yield 105-06 -14/32 11.54 11.44 94-09 -13/32 18.79 10.75 93-04 -24/32 9.80 6.75 9/92 1/98 10/08 94.8581 -0.056 5.45 5.36 105.9898 +8.691 5.06 5.11 8.375 11/98 98.7500 +8.200 6.64 6.82 7.00 FRANCE BTAN 8.000 OAT 8.125 95,7491 +0.001 8.86 98,2900 +8,260 8.69 10.250 12/98 105.7500 - 9.32 9.44 9.84 6.7500 10/98 97.0250 +0.400 7.16 7.30 7.35 NETHERLANDS

London closing, "denotes New York morning session Yields: Local market standard Prices: US, UK in 32nds., others in decimal Technical DatalATLAS Price Sources

ant surprise with regard to May retail sales. Sales volumes were 25 per cent higher com-pared with a 1.4 per cent fall

the previous month.
With pronounced sterling

weakness during the day, gilt prices shed between % and 1

point in most areas, except among index-linked stock

NEW INTERNATIONAL BOND ISSUES

102.06

100%

100

100

***Private placement. White equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) First coupon fixed at 11½ %, thereafter lower of 6-month Libid or 5 below Rollm(average of 3-month Lira and Italian bond yields), Call option, b) 3 over 3-month Vibor, psysble quarterly. Renewable every 3 years until 2004. Call from July 1992 and on every interest payment date thereafter. Minimum coupon 3½ %. c) Put option fixed to yield 3.208% (Indication 3.26%). d) Non-callable, e) Callable after 4 years at 100, f) Fungible with existing lesue.

ous for a large deal by an unrated borrower and that the

spread gave little away against

existing SAS secondary market

for Sumitomo Corporation was brought by Daiwa Europe and

was well received, trading inside fees at 99 bid.

A \$1.5bn equity warrant deal

1995

1997

916

750

200bn

12.000 7/99 90.9254 +8.201 13.69 13.81 13.37

significant weakening in sterling, depressed sentiment. The apparent continuing policy rift between Mr Nigel Lawson, the Chancellor, and the Prime Minister further destabilised the

AUSTRALIA

narket. The mildly favourable news about May producer prices was overshadowed by an unpleas-

Strong dollar tempts a string of sizeable new deals

Borrower US DOLLARS

US OCILARS
Credit Lyonnalo(d)
SAS(d)
HC(d)
HC(d)
Sanwa Australia(e)
Sumitomo Corp.
Pacific Metals Co.

FRENCH FRANCS

World Banklakt

demand

AUSTRIAN SCHILLINGS Austria, Republic of(b);

The 10-year maturity was tapped by Scandinavian Air-

via Morgan Stanley. The bonds carried a 9% per cent coupon and were launched at 101% to yield 83 basis points over Trea-

suries. After a satisfactory start the bonds slipped outside fees at less 2% bid amid slow

There was some comment

that the pricing was not gener-

es System with a \$200m deal

ries of the gathering inflation gloom. On Liffe, the September futures contract lost # closing

Which were the only beneficia-

THE REST of Europe, by con-trast, was pulled along by Wall Street with the strength of the dollar exercising surprisingly

Pricings at the official fix-ings in Germany were broadly higher. The federal 7.00 per cent bond due April 1989 was fixed up at 101.45 to yield 6.80 per cent, compared with 6.83 per cent on Friday.
Much of yesterday's trade
resulted from matnrity

switches, as players sought to take advantage of wrinkles in the yield curve. Whereas the more liquid paper in the 1998 and 1999 matnrities were buoyed by the US Treasury market, the less liquid 1996 and 1997 stock did not increase correspondingly releasing a num. respondingly, releasing a num-ber of spread trading opportu-

Book runner

1% Credit Lyonnais

75/40bp Banco di Roma

37 1/20 GZR-Vlenne

Credit Lyonnais Morgan Stanley Int. CSFB

World Bank. After a good reception the paper was trad-ing inside fees at 100% bid.

A domestic floating-rate issue by the Republic of Aus-

tria was brought by GZB Vienna. The Sch6bn deal (increased from Sch3bn) was

successfully targeted at inter-national investors and ran to 8

Japanese to acquire stake in CS **First Boston**

By Janet Bush

FIRST BOSTON, the Wall Street investment bank, yes-terday confirmed negotiations for a number of Japanese insurance companies to take a 20.5 per cent stake in CS First Boston, the investment bank formed last December through the merger of First Boston and Financière Crédit Suisse First

The stake is currently held by Mr Suliman Olayan, the Saudi Arabian investor who bought in last December as a caretaker investor until per-manent equity investors could

Reports from Tokyo suggest that CS First Boston is talking to at least six Japanese insur-ance companies and one trust First Boston declined to con-

firm or deny a Japanese news report that the seven investors would pay \$150m for 12 per cent of the company. However, according to news

agency reports out of Tokyo, Nippon Life Insurance and Daihyakn Mutual Life con-firmed that they each intended to take a 1 per cent stake.

Other firms mentioned as potential investors are Mitsul Trust & Banking, Dai-Icbi Mntual Life Insurance, Melji Mntual Life Insurance, Asahi Mntual Life Insurance and

Mitsui Mutual Life Insurance. Mr James Walsh, managing director of CS First Boston's Tokyo office, said the company was trying to place much of the 20.5 per cent stake with large Japanese inves-

Since the merger of First Boston and Credit Suisse First Boston, the investment bank had made it clear it wanted to sell the rest of its available equity to Far Eastern investors, to give it the third leg of

its global presence. Mr Olayan had originally taken a 30.5 per cent stake but 10 per cent of this was sold last month to Metropolitan Life, the big US insurance

group.

CS Holdings, the bolding company for Crédit Suisse, owns 44.5 per cent of CS First Boston and the company's managers hold the remaining 25 per cent.

Shearson LDC team departs for Dillon

By Norma Cohen

THE CORE of Shearson Lehman Hutton's Third World debt trading team has left to set up a similar unit at Dillon Read, the US-based investment bankers, leaving only one or two professionals in that department.

Shearson had been regarded as one of the market leaders in the sector, establishing its unit in 1983 shortly after the crisis emerged among Third World debtor nations. Bankers estimate that turnover in Third World debt in 1988 may have been as much as \$40bn, up from between \$15bn and \$20bn in 1987. Shearson officials declined to estimate the firm's

market share. In addition to trading the loans of less developed countries (LDCs), Sbearson's unit was engaged in debt-equity conversions, securitisation of LDC debt, sovereign advisory and other transactional buei-

Shearson was also known as the producer of a so-called developing country debt index, intended to track the composite values of Third World loans in the secondary market. While the secondary market prices of debt do not necessarily reflect the value at which they are held in banks' portfolias, they do affect market perceptions of

bank assets. The unit is believed to have contributed relatively small profits to the firm, although it was profitable in the first quarter of 1989 when the entire firm posted a loss. The unit was also a high-profile business far Shearson.

Those leaving are Mr Jay Newman, who will become managing director in charge of the unit at Dilloo Read, and Mr Kelth Fogarty, who has been named a senior vice president. Also jaining the group are Mr Pierre Biraben, Mr Peter Grossman, Mr Gordon Wood and Ms Suzette Payatta. Mr Newman said there may be additional

hirings in the future. He added that the unit would perform much the same func-ilons at Dillon Read.

Trading in Nikkei index option off to busy start

OPTIONS trading on the Nikkei 225 index on the Osaka stock exchange was off to a busy start yesterday with roughly 150,000 contracts changing bands. But dealers will be waiting a week or so for the flurry to die down before gauging genuine levels of interest in the new

As usoal, volumes were inflated by the Japanese custom of "congratulatory" trading – whereby dealers cross orders between themselves when little or no real business.

when little or no real business

Trading was confined to the

two baurs and occurred against the background of a midly bearish, although unexciting, cash market.
The vasi proportion of busi-

afterooon session of just over

ness was cancentrated in the contracts which expire in July, the closest month, with what dealers described as a surprisingly even spread between puts

Implied volatilities were on the high side, at about 15 per cent in the calls and 12 per likely to adjust as genuine the market.

Austria to raise Sch3bn floater

AUSTRIA plans to issue Sch3bn (\$212.7m) of floatingrate Treasury notes, lead man-ager Genossenschaftliche Zen-tralbank said yesterday, Ren-

ter reports.
The bank said the issue, in denominations of Schlm, was priced at par and paid 0.125 per

LONDON TRADED OPTIONS

cent over the Vienna interbank offered rate. The issue bad a minimum coupon of 3.5 per cent and final maturity date was July 2004. The notes have a call option for the Republic of Austria in July 1992 at par and thereafter oo every inter-est payment date.

Banco di Roma was the bookrunner of a L-200hn float-ing-rate note issue for the premium to the par issue price. The bonds were quoted at 100.17 bid by the lead manager.

MARKET STATISTICS

FT-ACTUARIES SHARE INDICES These indices are the joint compilation of the Financial Times, the institute of Actuaries and the Faculty of Actuaries **EQUITY GROUPS** Monday June 12 1989 Day's Change % Figures in parentheses show muni stocks per section 10.72 11.94 14.85 8.73 8.68 19.07 13.25 %4.56 970.27 17.91 1200.08 1214.87 30.24 1655.81 1662.14 CAPITAL 6000S (205) -0.7 -0.6 -0.3 -0.8 -1.4 -0.9 -0.7 -0.9 11.50 10.32 9.34 14.17 12.24 12.29 18.24 12.49 13.67 12.17 13.62 14.85 16.17 11.46 12.59 14.71 11.46 12.10 17.96 18.47 11.62 15.49 11.62 15.49 11.62 8uliding Materials (29) _____ Contracting, Construction (37) Electricals (9) _____ 1193.37 2831.34 2207.91 Electronics (30) 524,44 538,58 324,80 1573,80 Motors (17)..... Other Industrial Materials (22)... 2) CONSUMER GROUP (187)... 22 Brewers and Oistiliers (22). 1212.11 1314.42 1870.83 2288.86 2202.46 1639.08 574.83 Leisure (33) 31 Packaging & Paper (15)..... 32 Publishing & Printing (19). 3581.48 797.54 533.99 34 Stores (34) 1574.98 2458.68 1143.75 1141.98 -0.3 49 INDUSTRIAL GROUP (486) 18.6. 17.48 1222.11 1271.97 1230.29 1635.63 16.71 736.13 738.97 730.82 712.57 21.71 735.76 736.44 722.77 676.64 16.75 1875.46 1876.32 1866.13 1877.43 16.75 568.57 569.46 565.56 557.32 27.18 976.48 978.52 977.79 978.63 3.70 333.19 334.13 334.29 372.27 13.81 1380.74 3399.63 1382.29 1233.29 6.25 364.70 365.39 364.23 971.45 12.92 1140.17 1130.51 1134.53 688.52 18.45 621.97 625.93 611.15 531.53 34.45 1380.99 1391.76 1297.14 1322.80 17.36 1381.84 1182.94 1801.44 454.47 59 500 DHARE INDEX (500)... 1219.77 61 FINANCIAL GROUP (123)... 739.83 728.40 -8.7 -0.9 -0.9 -0.9 -1.0 -0.1 -0.6 24.51 2 Banks (8) ... 7.88 6.36 11.47 865.53 563.49 967.81 329.94 nsurance (Brokers) (7)... 69 Property (52) 70 Other Financial (30) 71 Investment Trusts (71) 91 Overseas Traders (8) 1292.41 17.16 1101.84 1102.24 1091.69 958.57 -83 4.28 Day's Day's Day's Jun Jun Jun Jun Jun Year Change High (a) Low (b) 9 8 7 6 5 280 -3.8 2149.9 2131.4 2142.1 2143.4 2117.9 2107.4 2888.5 1858.8

FIX	(ED I	NTE	RE\$	F		AVERAGE GROSS REDEMPTION YIELDS	Mot Jun 12	Fri Jun 9	Year ago (approx.
PRICE INDICES	Mon Jun 12	Day's change %	Fri Jun 9	xti adj. today	xri adj. 1989 to date	1 Low 5 years	9.96 9.66 9.49	9.92 9.56 9.40	8.81 9.18 9.91
2 5-15 years 3 Over 15 years	116.81 130.28 139.09 161.99	-0.55 -0.67 -0.48	117.14 131.28 140.03 162.78	0.28 - -	6.81 6.34	4 Medium 5 years	11.18 18.17 9.71 11.28 10.37 9.88 9.45	11.03 19.08 9.64 11.14 19.30 9.84 9.40	9.26 9.37 9.16 9.37 9.51 9.22 9.63
5 All stocks Index-Linked 5 years 7 Over 5 years	128.38 134.70 131.70 131.82	+0.96 +0.08	134.61 131.92 132.01	-	1.36 1.60	Index-Linked Syrs.	3.94 3.80 3.22 3.64	3.95 3.81 3.22 3.64	2.76 3.86 1.86 3.66
9 Debestares & Louis		_	113.24 87.95	_	5.14 3.04	15 Debt & 5 years 16 Leass 15 years 17 25 years	12.14 11.75 11.36	11.91 11.63 11.35	19.6 19.6

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Sale of liquid milk business will wipe out debt

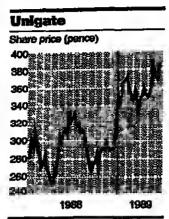
Salmonella fears limit Unigate to 7% increase

UNIGATE, the food and distribution group in which Mr Larry Goodman has an 8.8 per cent stake, yesterday reported pre-tax profits of £100.5m for the year to March 31, a 7 per cent increase on the previous year's £94m.

year's £94m.
The results, in line with market expectations, were held back by an over-supply of chickens after public concerns over the salmonella scare in eggs and poultry widely publi-cised last December.

Earnings rose 7 per cent to 29.6p (27.6p) and the directors are recommending a final divi-dend of 8.6p (7.7p) for a total of 13.9p (12.65p), an increase of 10 per cent. Turnover for the year was

£2.36bn, a 9 per cent increase on the previous year's £2.17bn. Operating profits at £111.7m, were up by 7 per cent and interest charges rose £4.2m to £16.8m. The company's borrow-



ings will be eradicated by the sale of 46 per cent of its liquid milk business to Dairy Crest for £126m earlier this year.

The UK food division contributed £62.7m (£60.7m) towards operating profits. Mr

John Worby, finance director, said that fresh foods, especially St Ivel Fresh Foods, had performed well—up by 32 per cent—while profits from the poultry activities were significantly down. Liquid milk's 5 per cent increase was present. per cent increase was masked by £2.5m of rationalisation costs arising from the closure of the Southampton dairy.
US foods' profits were up by
28 per cent to £12.1m. Unigate
said US cheese profits were up
from \$5.8m to \$9m (£5.88m) with strong growth from the Black-Eyed Pea restaurants although operations were more difficult for Taco Bueno.

difficult for Taco Bueno.

The distribution services division contributed £30.2m (£25.3m). Wincanton, the fleet management and hire division, contributed £22.4m, an 18 per cent increase, and Giltspur, the exhibition services business, contributed £7.8m (£7.3m).

Braithwaite up 75% to £6.53m By Andrew Hill

BRAITHWAITE, the former engineering company which has transformed itself into an industrial services group, boosted pre-tax profits by 75 per cent to \$6.53m in the year to March 31, against £3.72m.

The profits were etruck despite the mild winter, which despite the mind winter, which Braithwaite estimated might have cut £500,000 from profits at the heating equipment hire business, compared with an average year. The cost of servicing higher borrowings also took its toll: interest payments rose from £415,000 to £2.17m.

Turnover nearly doubled to \$59.3m (£30.3m) and earnings per share increased from 24.8p to 27.6p. The final dividend is 5.5p, making 6.5p (4.5p) for the year.

Mr Andrew Fitton, Braithwaite's chief executive, said the group had now rid itself of almost all its engineering subsidiaries, except for some small companies which would probably be sold in due course.

Prolithwaite bought SPP a

Braithwaite bought SPP, a designer and supplier of fluid handling systems, a year ago. It has since disposed of SPP's

pnmps division, and announced the sale of Godiva, and the fire-fighting equipment

subsidiary. Mr Fitton said about six companies, three from the UK, were on the shortlist to buy Godiva, which could realise about £14m or £15m for Braith-

The group was expecting to announce the sale towards the end of July or beginning of

Angust.
Abont 36 per cent of the group's turnover comes from the Sykes pump hire and distribution activities, originally part of SPP, 19 per cent comes from heating equipment hire and 16 per cent from the hire of air conditioning equipment both under the Andrews

trade name.

Braithwaite is merging the Andrews and Sykes operations in a single environmental hire business and is also expanding its network of centres hiring out tools and small equipment.

Braithwaite may have reached a watershed. Disposals have

certainly improved the quality of the group's earnings as it has thrown off engineering mill-stones. But the flipside of the move to industrial services is The Goodwill Problem. Braithwaite, like TI Group before it, will publish shareholders funds before and after moderill writh-offs this week in goodwill write-offs this year, in goodwill write-offs this year, in an attempt to represent the true value of businesses acquired recently. But in future the City may want Braithwaite to start looking at activities with more tangible assets — the possibility of a move into the competitive waste disposal business was mentioned yesterday. The chares slipped from 290p to 288p, a price which already includes the good news about the Godiva sale. That sale chould sharen up the heleace should sharpen up the balance sheet, bringing gearing down from 180 per cent to 30 per cent or less, and there is still poten-tial for organic expansion. Forecast pre-tax profits of 28m or 29m this year put the shares on a prospective pie of 8 or 9, which looks fairly valued for the moment.

Fund manager launches 'ethical index'

AN "ethical index" of stocks has been launched by London and Bishopsgate International Investment Management, a fund manager 75 per cent-owned by Mr Robert Maxwell, Research Consultants.

Dividend per Share

The index, aimed primarily at local authorities, trade unions and charities, tracks the FT-Actuaries All-Share at local authorities, tracks unions and charities, tracks the FT-Actuaries All-Share index with companies selected on ethical grounds. They must have no South African investments, have made no political ment in privatised local government services.

The UK Ethical Index can also be refined to exclude manufacturers of tobacco products and to account for environmental concerns of pension-funds.

With a book cost of 25ml.:

Trading profits were '214m on turnover of \$129.5m (\$127.6m), Earning were 27.1p (\$22.7p) and the final dividend is 7.75p (6.6p) and the final dividend is 7.75p (6.6p).

donations and have no involve-ment in privatised local gov-

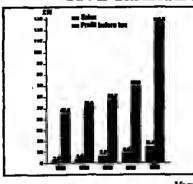
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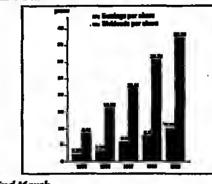
ALEXON GROUP plc

	MINARY RESU ear ended 25th March,		
	1989 £'000	1988 £000	Percentage Increase
Turnover	126,639	69,950	+81%
Operating Profit	15,603	9,322	+67%
Profit before Tax	15,030	9,505	+58%
Earnings per Share	37-23p	30.70p	+21%

10.50p

FIVE YEAR FINANCIAL SUMMARY





900.8

Year End March * Acquisition of Ellis & Goldstein (Holdings) plc

Bringing two major niche brands into the Group - Dash and Eastex which have been fully integrated into Alexon Group within first seven months

Total elimination of all Ellis & Goldstein loss-making activities

Acquisition of Richarvey

Hong Kong sourcing business has given the Group a major presence in importing from the Far East

* Continued growth from original Alexon Group Alexon, Claremont (North East) and (Scotland)

* Return on shareholders' funds in excess of 40%

The Annual Report and Accounts will be posted to shareholders at the end of hine.

ALEXON dash

EASTEX

Claremont

UK COMPANY NEWS

£13m as eggs scare hits results

By Philip Coggan

FERGUSON INDUSTRIAL Holdings, the packaging, printing and plastics group, yesterday emerged as the latest victim of the eggs scare. Two of its packaging subsidiaries lost sales last winter because of a fall in demand for nonlive products. poultry products.

The products.

The problems knocked £250,000 off group profits and restricted the increase in trading profits to 3.2 per cent in the year to February 28. But a £1.39m profit on the sale of investments helped pre-tax profits rise 14.7 per cent to £13.08m (£11.80m)

profits rise 14.7 per cent to £13.06m (£11.59m).

Ferguson has four main divisions packaging, printing, plastics and publishing. All were profitable except publishing, which made a loss of £33,000 after profits of £258,000 in the previous year. Mr Denis Vernon, chairman and chief executive, said that new management had heen new management had been brought in and he expected the division to be profitable this year.



Mr Vernon said the plastics division, which supplies hangers to clothing retailers, had a full order book despite the apparent slowdown in consumer spending. Last year, the division made profits of £2.15m (£1.92m).

Profits incressed only slightly in the printing division – from £4.46m to £4.83m. The packaging division's profits, which were affected by the egg scare, edged up to £6.88m. The profits on investment Mr Vernon said the plastics

(£5.68m).

The profits on investment came from the sale of shares in listed companies and at the end of the year, Ferguson still had investments with a market value of £7.6m, compared with a book cost of £5m.

Trading profits were '214m (£13.57m) on turnover of £129.5m (£127.6m), Earnings were 27.1p (22.7p) and the final dividend is 7.75p (£.6p) · COMMENT

Is Ferguson the next takeover target in the rapidly restructuring printing and packaging sector? Certainly three unnamed printing and packaging companies have small ing companies have small stakes in Ferguson and bid speculation is one of the main supports for the share price. The management's strategy of concentrating on the four "Ps" has yet to be vindicated by results. Profits may edge higher to just over £14m on the back of an improvement in the publishing division and the growth of the plastics busi-ness. But with margins evidently under pressure and the tax charge set to increase, it is tax charge set to increase, it is hard to see earnings per share moving ahead this year. The shares at 245p are on a prospective p/e of 9 and share-bolders who hang on in the hope of a bid will be comforted by a yield of 4.1 per cent.

FIH held to US buyers build up 1% stake in Gateway

other than tostress that the

In New York, Kohlberg Kravis Roberts, the New York

By Nikki Tait in London and Anatole Kaletsky in New York

small.

WITH : SPECULATION with Speculation continuing to mount over the possibility of a rival bidder for Gateway, the food retail group which is already facing a £1.87hn leveraged hid from Isosceles, UBS Securities in New York yesterday disclosed that it had been buying shares at 2119 - 1p above the Isosceles

It acquired 500,000 Gatsway shares at 211p on Friday, plus an additional 700,000 at

UBS said that the shares had been bought on behalf of a discretionary client, Junction Advisors, and reflected an investment postion. This amounted to 9.5m shares or a little more than 1 per cent. UBS said that the shares had been bought on behalf of a discretionary client, Junction Advisors, and reflected an investment postion. This amounted to 9.6m shares or a little more than 1 per cent.

UBS declined to elaborate Kravis Roberts, the New York leveraged buy-out firm, indicated that it was still involved in negotiations with Gateway about the possibility of arranging a friendly management led buy-out. But it denied stories circulating in London about a complicated carve-up involving

tions took the average number in issue from 19.4m to 28.2m, so earnings per share growth lagged the pre-tax advance at 27 per cent, from 9.770 to 12.42p. A final dividend of 1.75p

Turnover rose from £30.9m to £47.4m. Biggest contributors were the castings division

Companies included for the first time were Triman and Trisport in the plastics divi-sion, Reliance Compra in trim and graphics, Frederick Yates in precision engineering, and the Neville financial services

Since the year end, three more acquisitions have been agreed: James Haylor, making foam blocks for the floristry trade; Alpha Zinc, one of Britain's three smelters and suppliers of zinc alloy; and Birmingham Bat-tery & Metal, making copper alloys and brass stamp-

tions combined with cur-rent levels of demand provided a platform for good prog-

£18.18m. Net interest charges were up at £316,000 (277,000) and, after tax had taken £917,000 (£408,000), earnings worked through at 9.8p, double

The company said that, as expected, its refurbishment and property trading operations made the most sig-

nificant contribution to profits. Its belief in the numerous prospects in the secondary commercial property market was

and interest

charges peg

Burndene rise

Higher depreciation and interest charges held back the profit growth of Burndene

Investments - caravan maker

clothing manufacturer and

property developer - in the half year ended April 1,

Pre-tex profits were up 13 per cent to 21.87m (£1.66m),

after a rise in operating profit of 23 per cent from £1.94m to £2.39m. Turnover rose 21 per cent to from £14.19m to

Caravan manufacturing and the park operating division contributed £1.28m (£1.01m), bosiery production £439,000 (£310,000), property £119,000 (£284,000), and finance and

administration £30,000

(£68,000).

Earnings were 11.92p (10.51p), before crediting the £2.87m proceeds from sales of an investment property and other land and buildings.

The interim dividend is raised to from 2p to 2.5p per

£17.16m.

The company's investment

Safeland beats forecast with £2.5m

last time's 4.9p.

J Williams goes | Depreciation

KKR, Gateway management and third parties. purchases were unnconnected

and third parties.

KKR's operating method in past US acquisitions has generally been to buy a company ontright and then sell off unwanted divisions at its leisure. Since the availability of increase would be less of a with any party either inter-ested or potentially interested in bidding for Gateway. It would not say whether it had made additional purchases yesterday. However, Gateway shares moved from 210%p to finance would be less of a constraint for KKR than for most 215%p, with some shares changing hands at 215p, although trading volume was other bidders, it might have no incentive to pre-sell parts of

Geteway.

Great Atlantic & Pacific Tea.

Company (A & P), the fourth largest food retailer in the US and rumcured to be linking up with KKR over the Gateway situation, declined to

KKR, which through its Safe-way and Stop & Shop subsid-iaries is already the largest

owner of supermarkets in the US, has acknowledged an inter-est in Gateway from the beginest in Gateway from the begin-ning of the takeover battle.
It is unclear, however, how much of its existing dollar-based financing KKR would be able or willing to use in a potential bid for a UK com-

pany.

The lack of merzanine and subordinated debt financing in the UK capital market has often been mentioned by KKR and other US firms as the biggest single obstacle to the development of an active lever-age buy-out business in Britain. KKR has never bid for a foreign company, although it is known to have looked at doz-ens of potential investments in the UK.

'Emerging

markets'

targeted

Bromsgrove nearly doubled

operations.

By Richard Tomkins, Midlands Correspondent

BROMSGROVE INDUSTRIES, BROMSGROVE INDUSTRIES, the acquisitive Midlands-based mini-conglomerate headed by Mr Bijan Sedghi, turned in an 88 per cent increase in pre-tax. profits from £2.91m to £5.47m for the year to March 31.

More than half the £2.56m increase — acquisition of it —

came from companies bought during the period, but the rest came from strong organic growth in the existing busi-Shares issued for acquisi-

(1.45p) is proposed, making 2.75p (2.1p).

(£15.2m) and the metals divi-sion (£14.4m), followed by pre-cision engineering, plastics, and trim and graphics, all at about £5m. Among the stron-gest performers were the cast-

SAFELAND, which joined the USM in November with a profits forecast of not less than \$2.3m, exceeded that figure with \$2.48m pre-tax in the year

with 22.43m pre-tax in the year to March 30. This was more than double the £1,13m achieved the previous year. The recommended final dividend is 2p, 25 per cent ahead of the forecast

Turnover at this Londonbased property trading, refur-bishment and estate agency group vaulted from \$5.8m to

ahead with

modernisation

John Williams of Cardiff, iron

founder and steel stockholder

is pressing ahead with its foundry modernisation earlier than originally suggested as it

has been encouraged by

improving results. Mr Brian Brownhill, chair-

man, said the first phase will be completed by next month, and then it was intended to

proceed immediately with the

But these changes cannot be achieved without interfering with current production, and sales and profriability, he said. The latter part of the current period has been affected.

In the second half of 1987-88 the group cut its loss to £68,000. The deficit for the six months ended March 31 1989 had moved up to £177,000, but was a substantial reduction on the £553,000 of last year. Turn-

over was similar at £5.15m.

June June June June June

year

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2.25 10.42

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1.208 0.5 4.75

21

BOARD MEETINGS

DIVIDENDS ANNOUNCED

3.5 5.5

5.5† 2.75 15 1.25 10 4.22 7.75 1.45 0.65† 4.75 1.36†

Bromsgrove Inds _fin

Marina Dev Group ...fin

Hughes (HT) § ... KLP Group

Prop.Pariner -

Date of payment payment

July 28

Aug 10

July 31 July 24

Aug 25 July 28 Aug 4

Aug 18

Dividends shown pence per share not except where otherwise stated. "Equivalent after allowing for scrip lesus. TOn capital increased by rights and/or acquisition lesues. \$USM stock. \$\$Unqueted stack. \$Third market. \$irish currency throughout.

Bromsgrove said the acquisi-

COMMENT

ings division (Bromsgrove Castings and Peterborough Pressure Castings), which won one of Jaguar's Pursuit of Bromsgrove's ravenous appe-tite for acquisitions remains undiminished by any threat of strains on the balance sheet or Excellence awards, and the metals division, with its Eurocast Bar and Vetchberry the hint of opprobrium that nowadays attaches itself to mini-conglomerates. The loan stock being used to finance the stock being used to mance the Birmingham Battery acquisi-tion will take gearing to 40 per-cent, but there are enough asset disposals in the pipeline — not least, the likely flotation of Neville during the next year — to restore a net cash bal-ance. The mini-conglomerate tag may not be so easily shed.

tag may not be so easily shed, but in one sense carries its own reward: the more disparate Bromsgrove's range of activities, the less its exposure to the automotive business on which the group was largely built. The market, meanwhile, has settled down to a view on the company that reflects its caution over conglomerates this year, the prospective p/e remains at a steady 9%.

portfolio continued to grow and stood at £3.37m at the year-end. The estate agency and letting activity contributed just under 9 per cent of group profits, though pre-tax profits fell 8 per cent to £217,000 on turnover down 9 per cent to

The board is to propose a resolution at the annual meet-

ing to increase the company's borrowing powers to £20m to allow for larger transactions and possible joint vent-

Darby Group

advances to

£1.95m pre-tax

Darby Group, glass processor which joined the USM last November, made pre-tax prof-its of £1.95m in the year ended February 28 1989. They were ahead of forecast and com-

pared with the previous

Ellim.
Earnings also improved on forecast and the previous year up from 5.98p to 10.28p - and the dividend is 1.25.

Mr Michael Darby, chairman, said the diverse markets of operation remained buoyant. Of particular note were a number of orders which were for excort and will benefit the care-

export and will benefit the cur-rent peformance.

The company specialises in various types of safety glass. Most of its float glass is

obtained from France and the

US. Turnover in the year was £9.29m (£7m).

Mr Darby said the current year had started well and over

year had started well and over-all trading peformance so far had met budgets. However, there was a marked slowdown in demand from the house-building, arthitectural and smilecament window markets.

ent window markets.

£427,000.

by Genesis By Nikki Tait

GENESIS GROUP, a recently-

formed fund management busi-ness, is launching its first fund, specialising in "emerging markets". The new fund, which is The new fund, which is structured as a closed-ended Gnernsey-based investment company, is the second emerging markets fund to be launched in the past month. Templeton, Galbraith & Hansberger, the Nassau-based fund management group, has set up a £30m investment trust with a similar investment objective.

a £30m investment trust with a similar investment objective.

Templeton said yesterday that the offer for subscription, designed to raise £28.9m after expenses, had been modestly oversubscribed.

The Genesis fund is coming to the market via a placing of participating shares at \$10.15 per share. Indications of interests have already been received for \$17m-worth of shares. Although the company shares. Although the company is a closed end fund, it will be possible for it to issue further shares in the future provided funds are at least 75 per cent invested and that the new

shares are not issued at below net asset value.

In practice, then, no further shares can be issued for a period - possibly several months - after the placing.

The fund will aim for capital growth through investment primarily in equity securities quoted on emerging markets. However, managers can also take stakes in companies quoted in "industrialised countries", provided more than 50 per cent of their profits come from developing countries, or more than 50 per cent of assets

are based in such countries. Managers can also invest via another suitable fund if direct access to a country is not possible or the fund itself seems an attractive investment. A primary list of 21 countries where investments will initially be concentrated has been drawn up - ranging from Mexico to Turkey, and, in Asia, the likes of Thailand, Korea and Pakistan.

The management fee is 1.5 per cent — although this reduces if there is investment in other funds. Genesis Investment Manage

ment itself was founded in January. Its chairman, Mr Jeremy. Paulson-Ellis, was previously chairman of Vickers da Costa and - coincidentally, says Genesis - two other directors have worked for Templeton. See Lex

Owners Abroad

Owners Abroad has acquired 76 per cent of Extrawelcome, which operates the trade names of Small World, Villas Italia and Ski Whizz, for approximately \$500,000.

CONSOLIDATED ANNUAL REPORT

aconio	TO MARKOONE OF YOU	3,307
Net sales	234,829 123,361 119,402	3,542
Balance Sheet		(March 31, 1989) in Millions of Yen
Assets		Liabilities and Shareholders' Equity
Cash and cash equivalents Notes and accounts receivable, trade Invertories Other current assets Other sassets Other assets		Bank loans and current portion of long-term debt

In Touch with Tomorrow TOSHIBA

Statement of of Yen 9,014 8,034 0,075

. 692,886 Shareholders' equity.....

utena,

Carnaud S.A.

Carnaud merged with Metalbox Packaging to form CMB Packaging S.A.

The undersigned acted as joint advisers to Carnaud

Lazard Frères et Cie

Lazard Brothers & Co., Limited

BSN S.A.

BSN acquired HP Foods and Lea & Perrins from Hanson plc

The undersigned acted as joint advisers to BSN

Lazard Brothers & Co., Limited

Lazard Frères et Cie

Société Centrale de l'Union des Assurances de Paris

UAP International acquired an 18% interest in Sun Life

The undersigned acted as adviser to UAP International

Lazard Frères et Cie

Thorn-EMI PLC

Thorn-EMI acquired Holophane S.A.

The undersigned acted as joint advisers to Thorn-EMI

Lazard Frères et Cie

Lazard Brothers & Co., Limited

Les Echos

Pearson plc acquired Les Echos

The undersigned acted as adviser to the shareholders of Les Echos

Lazard Frères et Cie

Pearson plc

Lazard Brothers advised Pearson in the sale of its majority holding in Société Civile du Vignoble de Château Latour to Allied Lyons PLC

The undersigned acted as adviser to Pearson plc

Lazard Brothers & Co., Limited

THE LAZARD HOUSES

Lazard Frères et Cie 121 Boulevard Haussmann 75382 Paris Cedex 08 Tel: 4563-0111 Telex: 280666

Lazard Brothers & Co., Limited 21 Moorfields London EC2P 2HT Tel: 588 2721 Telex: 886438 Lazard Frères & Co. One Rockefeller Plaza New York NY 10020 Tel: 489-6600 Telex: RCA 223301 Record number of launches in year when forecasts are again beaten | HT Hughes

Organic growth lifts Emap 34%

EMAP, the publishing, printing and exhibitions group, yester-day announced a 34 per cent rise in pre-tax profits from £25.04m to £33.55m for the year ended April I. Turnover increased by 24 per cent to £232.69m (£187.88m).

Sir Frank Rogers, chairman, said it had been a successful and busy year. He said that the current year had started well and the confidence of the board was undiminished in the company's chosen fields.

Mr Robin Miller, group chief executive, said that advertising in special interest and business magazines was still strong, although the consumer maga-zines had experienced some caution about long-term book-

In regional papers, property advertising had shown a slight downturn but recruitment and motor advertising were strong Advertising revenues for the first two months of the current period were 15 per cent ahead of a year ago.

The profits increase was almost entirely due to organic

Clayhithe lifts profit by 44% and tops £4m

Clayhithe, the property finance and development group, has reported a 44 per cent profit increase from £2.85m to £4.12m on turnover £2.4m up at £26.1m for the year to March 31 last.

Mr John Jones, chairman, said the group had another good year with both the Active Investment and Property divisions contributing to the improvment. Further invest-ments were made in the course of the year in businesses and in property, and the group's balance sheet strengthened further with low borrowings and substantial unpledged property

and other ass After tax of £1.17m (£828,000) earnings per shares rose from 11.84p to 17.29p undikuted and from 11.12p to 15.96p fully diluted. The dividend is increased from a total of 3p to 4.25p with a final of 2.75p.

In future Clayhithe's main property development activi-ties would be undertaken by a newly formed company, Long-mynd Properties, in which the group has an interest of 65 per cent, tha other 35 per cent being held by Avening.

Hoskins expands with £900,000 buy

Leicester-based brewing and leisure company which is quoted on the third market, is tea and coffee house and a catering business, for a maximum consideration of £900,000.

The initial consideration of 2650,000 will be financed by the issue of ordinary shares representing 14 per cent of the company's enlarged share capital. Tatlocks, which has retail outlets in Windsor, Tunbridge Wells and Worthing, reported pre-taz profits of £75,843 for growth, except for a 2500,000 contribution from Associated Kent Newspapers. A record number of publica-

tions and exhibitions were launched at a cost of £5.6m, compared with £3.2m the previounpared with 13.2m the previous year. A similar sum is expected to be spent this year. The most important launches — Today's Golfer and More! had met expectations. The company said it had

decided to market 40 of its free newspapers under the banner "Citizen". The advertising for these papers would now be handled by a single business, MSB, in an effort to increase the amount of national advertising going to regional news-Typesetting costs of tha

regional newspapers were being reduced by the use of computerised technology which would provide annual savings of £2m in two years'

An extraordinary item of 21.65m (£162,000) resulted from the sale of investments, proper-

EMAP Share price (pence) 240

Earnings per share increased by 33 per cent from 12.2p to 16.2p. A final dividend of 4.22p was proposed, making a total of 5.65p (4.2p).

1968

 COMMENT Once again, analysts predicted superb profits growth from Emap and once again, Emap exceeded the most optimistic

forecasts. But this recurrent ability to produce strong earnings growth is almost taken for granted and the market's reaction to the results was to push the shares down 2p to 242p. Attention now is firmly focused on the advertising market and how well Emap can withstand the inevitable slowdown. The bears' argu-ment is that Emap's strong market position and good management will not protect it from a sharp decline and the resulting slump in its share price will stymic its ability to make acquisitions. The optimists however, can argue that the management seems fairly cheerful about the state of enterral about the state of advertising in its market and Eman's impressive record on launches can help it avoid dilutive acquisitions. Even so, it is clear that the rate of growth must slow this year and most analysts are estimating pre-tax profits of about £39.5m. That suggests a prospective p/e of just over 12.5 - still a pre-minm rating, but less highly

Thos French profit over £1m

THOMAS FRENCH and Son, the acquisitive maker of curtain styling and home improvement products, reported pretax profits of £1.06m for the six months to April 1, an increase of 6 per cent on £997,000 last

It also announced three more acquisitions and a fourth which is under negotiation.

rent assets of Peerage will cost. a total of 2618,000 cash and will increase its coverage of home greed for the fourth purchase which makes wood products. Turnover fell from £13.3m to £11.24m. The company said the

from Tekdata which was sold in May 1988, and an exceptional property profit of £122,000. Adjusting for these the underlying profit rise was

54 per cent. Earnings per share came out at 5.72p (5.28p) and the interim dividend is being raised to 1.45p (1.2075p).

Marina profits treble to £4.6m

MARINA DEVELOPMENT the freehold of an area oper-Group, owner and manager of marinas and boatyards, reported both operating and pre-tax profits increased more than threefold in the year to March 31.

At the year-end the group's net asset value had almost doubled to 630p (318p).

At the operating level profits were £2.9m (£739,000) and at tha taxable level £4.57m, against £1.31m last time. The pre-tax figure was boosted by a £1.03m (£665,000)

ated as a boat repair facility, previously subject to a 35-year Turnover fell to £8.48m

(19.28m) and earnings per 50p share jumped to 19.7p (9.1p). The directors have proposed a final dividend of 5.5p to make a total of 7.5p (tp) for the year.

In March this year the company escaped a £77m takeover attempt from Local London, when Local London, when Local London, when Local London found itself on the receiving end of a £111m bid from Priest Marians. Marina then ditched the idea of credit relating to the sale of

a management buy-out. The costs of the defence against Local London had a significant impact on the retained profit (down from £793,000 to £836,000) and has been shown as an extraordinary loss of £1.15m.

Mr David Heimann, chairman, said that the company'e berth-leasing programme was gathering momentum but that the profit effect of the programme would only be evident

Pennant £7m French disposal

PENNANT PROPERTIES, the Australian controlled international property developer and investor, is selling its 50.5 per cent stake in French property group Société d'Investissment et de Promotion Immobilière for FFr 7/m (£7.32m).

Mr Ron Counte, Pennant's Mr Ron Counte, Pennant's company secretary, said the Wormser and Thoby families of France, who each hold just under 25 per cent of SIPIM, agreed to buy the remaining stake after extensive negotiations.

The latast unauditad appraisal of SIPIM, which

holds extensive property in Paris, valued its net assets at Mr Counts said Pennant greater returns by investing the proceeds in the UK prop-erty market.

Pennant received only about a 3 per cent dividend return on its holding, Mr Counte said, and he added that the Paris portfolio was not increasing as dramatically in value as Penagement control.

"We're very much more confident of being able to use these funds in an area where said. Part of the proceeds of the sale will also be used to reduce Pennant's gearing.

Pennant will receive an initial FFr 50m and the remainder in instalments over three

nant's London holdings.

Despite holding a majority of SIPIM's equity, Pennant did not exercise day-to-day man-

beats forecast with £1.8m

HT HUGHES, the USM-quoted waste management company, yesterday announced a 31 per cent rise in pre-tax profits from £1.4m to £1.83m for the year to February 28. Turnover rose by 46 per cent from £11.8m to £17.21m.

The profits exceeded the £1.75m forecast in February with the £6.98m rights issue. Waste management increased profits by 61 per cent to £1.43m. Mr Bob Merrick, chairman, said that it had achieved a 33 per cent increase in prices, while oper-ating costs had increased by 29 per cent from tighter legisla-tion.

Its supply of air space increased by 20 per cent, adding to reserves that would last for 20 years at current

usage rates.

The demolition division suf fered a profit reduction of 37 per cent to £191,000, 25 a result of a squeeze on margins following increased competi-

Profits in the transport side rose by 2 per cent to £400,000. The commercial truck dealership which started operations in late 1987 moved into profit. Mr Merrick said that although high interest rates were showing some signs of producing a slowdown in con-struction-related markets, the group's concentration on waste management and related activities would pro-vide a stable base.

Earnings per share increased by 13 per cent to 5p (5.3p). A final dividend of 1.38p is recommended, making 2.48p for the year.

A Cohen rises 29% to £4.25m

A Cohen, maker of non-ferrous metal ingots, increased pre-tax profits 29 per cent, from £3.3m to £4.25m, in 1988, and so far in the current year results had been encouraging, the direc-

Group turnover advanced 42 per cent, from £57.74m to £82m. Earnings were further enhanced by a reduction for the second half in Australian tax, and came to 139p (91p). The dividend is raised from 14.52p to 21p, with a final of

Significant contributions were made by virtually all members of the group.

The directors said custom-ary caution must be exercised in forecasting because of the volatility of the metal and forcing exchange markets on eign exchange markets, on which profits significantly

New London losses

New London incurred a loss of \$736,000 in year ended March 31 1989, compared with \$771,000 which was restated. The US group was operating profitably and each flow had improved significantly over the past 12 months.

Restructured Alexon shows 58% improvement to £15.03m

ALEXON, the clothing company which took over Ellis & Goldstein last year, yester-day announced a 58 per cent increase in pre-tax profits to £15.03m in the last financial year on turnover that rose by 81 per cent to £126.64m. Alexon has sold or closed the

loss-making parts of Ellis since its takeover last August. It has, however, retained the Kastex women's wear and Dash leisu-Eastex and Richarvey (the company responsible for Dash) contributed £4.5m over seven months to operating profits of £15.6m (£9.32m) in the year to

Undiluted earnings per share rose to 37.23p (30.7p) and diluted earnings per share to 35.03p (29.55p). The board proposes to pay a final dividend of 6.5p making a total of 10.5p

March 25.

Since the takeover Alexon into three divisions: Alexon Brands, including Alexon, Brash and Easter; Claremont Garments, a contract manufac-turer for the Marks and Spencer retail group; and Alexon (Far East), which sources clothing in South East

business encountered tough trading conditions during the year and managed to increase sales, according to Mr Peter

Wiegand, chairman, only through its new outlets. By contrast both Eastex which specialises in clothes for older, shorter women — and Dash showed sales growth.

Alexon is now improving the merchandising of these businesses. It plans to sell the old Ellis headquarters in East London bringing the total amount raised from disposals since the acquisition to about

Mr Wiegand said Claremont had increased sales to M and S, in spite of a series of gloomy announcements from other

suppliers.
Ha said the benefits of the reorganisation of Cohen, the recently acquired Scottish company, should emerge this

Alexon plans to use Richarvey as a base from which to develop a leisurewear into the UK from the Far

Mr Wiegand said the pattern of trading so far this year had been similar to last year with sales growth of over 20 per cent for Dash and static sales for the established Alexon

When Alexon first slipped into its suit of shining white amour to save Ellis & Gold-stein from the unwelcome

looked as though it had pute too high a price and taken on too tough a challenge. With hindsight the deal seems much more sensible and the things was opportune given that mice of the Alexon brand are slow-ing down and Claremont, the more sensible and the time almost every other M and & supplier, seems set to suffer pressure on profitability. The City expects profits of £20m by the full year. Alexon argues that its prospective p/e of 9%.

on shares up 1p at 388p.—
reflects its old role as a magni-

facturer, not its new one as a

retailer. But it usually takes a

advances of Berkerter. it

long, long time for a company to convince the City to treat it to a re-rating. Magnet bid

extended Mr Tom Duxbury's #639m boardroom bid for Magnet has been extended until 1pm today. At the fourth close on Friday last week, shareholders with last week, shareholders with 782 per cent of the ordinary and 66.5 per cent of the convertibles had backed the offer. The offer is likely to be declared unconditional today, with the backets to the bid taking a gamble that it will be possible to obtain the kidel 90 per cent accentance level from per cent acceptance level from both shareholder categories.

Harrison Inds falls to £2m but says problems now corrected

By Edward Sussman

Harrison Industries, the Stockport-based 'maker of industrial and domestic doors, castings and power transmis-sions, reported a sharp fall in pre-tax profits from £3.92m to £2.04m in the year ended March 31

It added that it had corrected the problems leading to the decline. Turnover increased 27 per cent from £32.73m to

ALSIM.
While the figures were in line with analysts' expectations, Harrison slipped 6p to 187p on the market yesterday. Harrison's industrial door division swung from a loss of £553,000 in the first half of the year to a profit of £662,000 in

year industrial doors earned £109,000 (£2.26m). Turnover for the division rose 16 per cent to £25.19m (£21.71m). Mr Ken Wade, a non-execu-tive director who was appointed chief executive to

organise the management, said the company appointed divisional finance directors to institute better financial con-trols. It also consolidated sev-eral subsidiaries, Mr Wade has since returned to a non-executive role.

Last November the group warned that profits would be down after it became apparent volume of orders on time. Mr

the second six months. For the . Wade said the scale of the problems "came as a surprise" because the company tradition-ally did a stock-take only once every six months. Monthly stock-takes have been started. "We do feel now we have things under control," said Mr

Ken Harrison, chairman. "We see no reason why it shouldn't be a successful year." The com-pany said sales have not felt interest rate pressure and that order books are up from last

Earnings per share dropped to 10.7p (21.2p) and the directors have proposed a final dividend of 4.75p for a total of 6.85p, steady from a year ear-

Renaissance to raise £5.32m

RENAISSANCE Holdings, a recovery and turnround, plans to add £5.32m to its investment kitty with a rights issue of con-

vertible loan stock. Remaissance currently has 17 investments and has set a goal of holding 40 such stakes

within two years. Mr Nicky Branch, chairman, said the capital injection should allow the company to boost its holdings to 30 investments by 1990.

tional potential investments, which it expected to finalise within two or three months.

Renaissance is also taking particular interest in possible investments in the US, where it already has three holdings, because it generally realises higher returns there.

The company, which has net assets of £11m, only takes minority stakes in its invest-

He said the company had ments. It provides "hands on" ing occasional "parachute teams" for crises - to all the Concerns.

The 8.5 per cent convertible issue, underwritten by Olliff & Partners, will be offered on the basis of £1 of loan stock for every two ordinary shares or warrants held. Conversion is set at 110p per ordinary share, against yesterday's market price of 100p.

MIM BRITANNIA UNIT TRUST MANAGERS LIMITED Scheme of Amalgamation MIM Britannia Drayton Japan Unit Trust with MIW Britannia Japan Performance Trust

1988 on turnover of £557,500.



As a result of the passing of Extraordinary Resolutions by the unitholders of the above Trusts at separate meetings, the Scheme became effective on 2nd June 1989. The terms of exchange of u oits of MIM Britacois Drayton Japan Unit Trust for units of MIM Britannia Japan Performance Trust is as follows:—

1 Unit of MIM Britannia Drayton Japan Unit Trust = 1.46173 units of MIM Britannia

Replacement certificates will be despatched not later than 1st August, 1989 to the former holders of Uoits of MIM Britannin Drayton Japan Unit Trust.

CREGEM FINANCE N.V.

Unconditionally and irrevocably guaranteed by Crédit Communal de Belgique S.A./

Notice is hereby given that for the interest period from 7th June, 1989 to 7th December, 1989, the Notes will carry an Interest Rate of 5.15% per amaun.



Gemeentekrediet van Belgie N.V. (Established in the Kingdom

Interest psyable on 7th December, 1989 will amount to ¥258,205 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo



Korea First Bank

U.S.\$20,000,000

Floating Rate Certificates of Deposit due 1989 (Redeemable at the Certificate Holder's option in 1987) In accordance with the provisions of the above Certificates, notice is hereby given that for the six months from 12 June 1989 to 11 December 1989, the Certificates of Deposit will carry an interest

rate of 91/4 per annum. The interest payable on each U.S.\$500,000 Certificate on the maturity date, 11 December 1989, will be U.S.\$23,697.92



KLP shrugs off postal strike with 57% rise

By John Ridding

KLP GROUP, the sales tax profits for the year to Sep-promotion company, overcame tember 30, had continued into promotion company, overcame the continued impact of last the continued impact of last September's postal strike to report pre-tax profits of £2.4m for the six months to the end of March, a rise of 57 per cent. Sales more than doubled from £24.71m to £50.53m and earnings per share rose from 9.45p to 10.4p, reflecting the issue of paper to finance a series of acquisitions since the beginning of 1988. There is an interim dividend of 2.5p (2.1p). Mr Colin Lloyd, chief executive, said that the effects of the postal strike, which knocked an estimated £700,000 off pre-

the first quarter and con-

strained earnings. He said the direct sales division, which had been hit by the dispute and which launches its main promotions in September, had seen profits reduced by around £300,000 in the first six

months of the current financial year, but that the company was now over the problem. With respect to protection against future postal strikes, Mr Lloyd said that the statu-tory limit of a £1 minimum on private letter postage made it difficult to provide alterna-

tives. However, the proportion of profits coming from the division is on a decitning trend, and is forecast to represent 8 per cent of the total in the year to September 1990, compared with around 11 per cent in the

current year.
The setback in the direct-The setback in the directmailing division was offset by
a strong performance at the
overseas division, particularly
in the US where all three US
subsidiarles were ahead of budget. The division now accounts
for about 40 per cent of turnover and profits and is to be
the focus of further expansion.
Mr Lloyd said that the hal-

strong with nil gearing and net tangible assets at about 145p per share compared with a share price of 247p. He said that two acquisitions could be expected before the yearend, one in the US and one in the UK

UK.
The company claimed that it was insulated from the effects of higher interest rates as busi-nesses were spending on pronesses were spenning on pro-motion to maintain market share. Mr Lloyd said that in previous recessions KLP has performed relatively well "and that if history repeats itself then we should be fine".

SHARE STAKES

The following changes in company share stakes have been announced: AB Electronic: Scottish Amica-ble Investment Managers now has under its management 2m ordinary (7.89 per cent).

Asda: First City Financial Corporation now holds 43.42m ordinary (3.73 per cent). Bradstock Gronp: Scottish Amicabla Investment Managers hold 1.886m ordinary shares,(7.67 per cent). Barford Group: Singer & Fried-lander is now beneficially

cant).

Chamberlin & Hill: Greig Middleton & Co, on behalf of investment clients managed and advised by it, has acquired 2,000 ordinary for a total of 827,000 (23.4 per cent). Foseco: Mr Gilbert D Scharf and his brother Mr Michael J Scharf are the beneficial own-

interested in 7.8m (6.43 per

ers of 620,000 and 8.03m ordinary respectively. The total holding is 4.4 per cent. Hambros Advanced Technology: Hambros has disposed of 615,500 ordinary (8.17 per cent) reducing total holding to 9.59m (49.36 per cent).

Hickson International: Allied Commercial Exporters has acquired further 125,000 ordinary taking total to 12.813m (12.046 per cent). HTV Group: Phillips and Drew Fund Management now hold on behalf of various discretion-

cent).
Lamont Holdings: Ulster
Finance acquired 50,000 ordinary at \$2.45 each, bringing
holding to 1.23m (5.37 per cent).
Lawtek: United Overseas group
has bought 25,000 ordinary to
bring its total holding to
445,000 (11.92 per cent). 445,000 (11.02 per cent).

Lep Group: BNY Nominees has disposed of 1.45m ordinary reducing the total holding to 11.39m (8.75 per cent).

ary clients 13.296m (19.47 per

Lincoln House: discretionary managed clients of Kleinwort Benson Investment Management hold 9.74m ordinary (10.06 per cent). McLaughlin & Harvey: Prudential Pensions now holds 291,607 ordinary (5.42 per cent). M.M.T. Computing: Discretionary managed clients of Kleinwort Benson Investment Management hold 500,500 ordinary(5.82 per cent).

Peel Holdings: Competrol Establishment has acquired 100,000 shares making total 13.897m (20 per cent). Royal Sovereign: Emess has acquired further 213,000 ordinary and now holds 1.598m shares (29.9 per cent).
Security Services: Provident
Mutual Life Assurance has an
interest in 8.73m ordinary
stock units (7.97 per cent).
Shandwick: Funds under man-

agement of Baillie Gifford and

Co. now own 4.64m ordinary shares (6.84 per cent). Storehouse: Standard Life Assurance has bought 2.55m ordinary to take its total holding to 5.5m (1.36 per cent). Michael Julien, director, bought 10,000 ordinary at 155p each, taking holding to 30,000.
Sutcliffe Speakman: as a result of the transfer of client assets under the discretionary investment management of John Govett, the aggregate number of shares held by such clients now amounts to 3.02m (15.75

per cent). Takare: Singer & Friedlander holds 2.6m ordinary (21.28 per cent) and 204.262 ordinary (1.672 per cent) held in invest-

ment portfolios on behalf of its and its subsidiaries' customers. TR Technology: Mr Oliver R Grace, Mr Oliver R Grace Jr,Mr John S Grace, Ms Lorraine G Grace, Mr John H Pinto and Mr James J Pinto have an aggregate interest in 2.07m ordinary (5.68 per cent).

TR Trustees Corporation: Equitable Life Assurance Society has sold 2.15m ordinary leaving holding at 10.574m (5.98 per cent). Waterglade International: NC Lombard Street Nominees for NNC Pension Trustee disposed of 500,000 ordinary reducing the holding to 1.09m (4.963 per

Whitegate Leisure: JN Oppenheim, chairman, has increased the stake held to 7.73m ordi-Wholesale Fittings: Scottish

Amicable Investment Managers now has 1.036m ordinary shares (7.38 per cent) under their management. Yeoman Investment Trust:

London & Overseas Insurance Company has increased its holding to 4.2m income shares (17.04 per cent) with the acquisition of 75,000.

Parkway to spend \$9.6m cash on expansion in US

By Andrew Hill

PARKWAY GROUP, pre-press ing photographs for reproduction services company, in magazines or on postproduction services company, is to add to its expanding US operations by buying assets from Sterling-Regal, a New York-based reprographics business serving the advertising industry, for \$9.6m (£6.82m) cash

The UK company, which is quoted on the USM, will acquire a purpose built produc-tion building in New Jersey, which contains modern pre-press equipment. It is also pur-chasingsome Sterling-Regal stocks and work in progress, and will re-employ some of the existing ekilled work force from the New Jersey plant.

Parkway already has operations in New York, Chicago and California involved in

The New Jersey production unit will be linked to tha group's New York colour labo-ratory by computer, enabling the provision of high quality colour separations for advertis-ing clients in the city.

KIO has 10.6% of Midland Bank

The Kuwait Investment Office has confirmed the purchase of an additional 5 per cent stake in the Midland Bank. The rom the New Jersey plant.

Parkway already has operations in New York, Chicago and California involved in pre-press production — prepartices.

In the Midland Bank. The 39.25m shares were sold by Hanson at 165p on Thursday.

The purchase lifts the KIO's holding in the bank to 10.6 per cent.

Grand Central at £2m after 80% improvement

GRAND CENTRAL Investment Holdings, the international food manufacturer and distributor, announced pre-tax profits up just over 80 per cent to £2.01m in the year to December

This compared with £1.11m

last time and came from a 66 per cent improvement in turn-over from £12.61m to £30.95m. Tax took £364,000 (£141,000) after which earnings per 10p share were 5.1p, up 50 per cent on last year's 3.4p and the board is recommending a final dividend of 0.65p (0.5p) making a total for the year of 1p (0.8p). Administrative and distribution costs were are \$2.2p. tion costs were up at £3.2m (£1.53m) and the net interest

charge also rose to 2170,000 (£103,000). There was also an

extraordinary debit of £157,000 this time.

this time.

The company has interests in the UK, Australia, Singapore, Hong Kong and Malaysia, where Mr Ishwar Nahappan, the chairman, said he was confident of further growth this year. He also said he hoped to see an expansion of the comsee an expansion of the company's manufacturing business in Singapore.

More time would be needed to rationalise the businesses and achieve a profitable return on investments in Australia, he said, but the group would continue to examine acquisi-tion and joint venture opportu-mities. He was confident that nities. He was confident that further expansion of the com-pany's trading base in Asia Pacific would be achieved.

UK COMPANY NEWS

Prowting profits up 68% as price of homes rises

PROWTING, Ruislip-based housebuilder, increased pre-tax profits by 68 per cent from £13.04m to £21.95m in the year to February 28. Turnover rose by 25 per cent,

from £63.97m to £80.12m. Announcing the results - the first as a listed company - Mr Terry Roydon, managing director, said interest rate rises had led to a downturn in confi-dence in housebuilding.

Sales had dropped by about a third in March to May, the first quarter of the current year. But the company was still bullish about the sector in the medium term, he added.

Prowting completed sales on 704 units during the year: 433 in the first half and 271 in the second

In the previous year, the company sold 728 homes. However, the downturn in sales was compensated for by an increase in the selling price

an increase in the seming price of Prowting's homes.

The average selling price rose to £100,000 compared with the previous year's £79,000 and Mr Roydon said this had now risen to £150,000 because of the different mix of properties.

Prowting's land bank con-tains 5,400 plots with zoning or planning permission, and 3,350 potential plots. At the 1988-9 rate of sales that would repre-



nt an eight year reserve. Mr Roydon said this land bank would be used sparingly with the future in mind. "Mar-gins are much more important

gins are much more important to us than volumes," he said. A final dividend of 3.3p will make a maiden total of 5p. Earnings per share worked out at 23.3p (16.2p). An extraordinary credit of £413,000 (£672,000 charge) included interest raised on the excess monies received at the time of its flotation, which was 19 times over-

• COMMENT Prowting says some unfashion-

All-round progress at Chancery

By David Lascelles. Banking Editor

able things in an unfashion-

able sector, and these two neg-

atives might just be enough to

ensure a positive outcome for the company. Unlike many oth-

with its exposure in the South and argues that this area still

has the best prospects for

future economic growth. It is also remarkably insonciant about the state of the market

and suggests that the present woes are temporary and will dissolve when a downward

Prowting is quite happy

CHANCERY, the London-based financial services group, increased pre-tax profits by 38 per cent, with contributions coming from all four of its main divisions, banking, financial services, corporate

finance and stockbroking.
Profits for the year ended
March 31 1989 were £6.8m, up
from £4.9m. Earnings per share rose 30 per cent, to 22.7p from 17.5p. A final dividend of 5.5p makes a total 8p, an increase of one third.

Banking earned £3.7m. One half of the business is proper-ty-related. Mr Harvey Cohen, the chairman, said the group claimed special expertise in that market but was taking a that market, but was taking a cautious view of the outlook. He expected property to decline in importance as other business areas, such as factor-ing, expanded. Financial services division

increased profits hy 53 per cent, and corporate finance raised £31m for husiness Stockhroking earned £500,000 despite the much-pub-licised difficulties of the secu-

rities markets.
Mr Cohen said the current year had started well. "There'a a lot of things happening," he

Merger of two Murray trusts is planned after their performance disappoints

MURRAY JOHNSTONE, the Scottish fund management group, yesterday announced plans to merge two of its smaller investment trusts. The aim is to establish a new combined trust, Murray Enter-

prise, from Murray Technol ogy, with net assets of £13.3m at April 30, and Murray Elec-tronics, which had net assets of £15.7m. The fund managers admit

that the performance of the two funds has been disappointing but say that part of the aim of the reorganisation is to give the new trust a wider

The net asset value of Electronics fell from 95p when it was launched in 1983, to 54.5p at end-May, while the nav of Technology slipped from 97p at

AUSTRALIA investment Trust, a small specialist trust in the

Tyndail stable, is planning a partial unitisation. This scheme is likely to

allow shareholders either to take units in Tyndall unit trust which specialises in the region, or share in a new "Pacific Horiits 1981 launch to 91.6p last month. The average discount over the past 12 months has been 37 and 38 per cent respectively - well above average discount levels for the sector gen-

erally. both trusts will pay out their liquid balances to shareholders in cash in addition to a mixture of ordinary shares and convertible loan stock in the new trust in exchange for their existing holdings. The new trust would then be able to buy in the loan stock if it wished, enabling it to increase net assets per share.

Other trusts have recently introduced this feature, with the idea that it may belp to control the discount to net asset value at which the ordi-

Because the price of units in

a unit trust is directly related to the value of the underlying

assets, anyone taking this route would he able to value or realise their holdings

This is ln contrast to

the typical investment trust

situation, where the shares

at close to net asset value.

AIT plans partial unitisation

nary shares trade. This extra because trusts cannot buy in their own shares.

Enterprise will only make such purchases at prices representing "a significant discount to the fully-diluted net asset

Under the terms of the merger, Electronics shareholders will get 10p per share in cash, plus Enterprise shares having a net asset value equivalant to 25 per cent of attributable formula asset value (minus the cash element), and convertible loan stock having a nominal value equivalent to 75

The Technology shareholders get 6.66p a share in cash, plus Enterprise shares with an

usually trade at a significant

discount to underlying nav.

The managers said yesterday that the partial unitisation scheme had heen partly prompted by the wishes of Tyndall Life, part of the same group, which owns around 55 per cent of AIT.

attributable fav (again minus the cash element) and convertible loan stock with a nominal value equivalent of 75 per cent of fav. The main difference between the nav and far of the existing trusts is the cost of implementing the scheme, and the figure is expected to work out at about 2.5 per

Using an estimated fav per share at end-May of 53.2p for Electronics, and 89.6p for Tech-nology, someone with a 100 Electronics shares would get tito in cash, 10.8 Enterprise shares and £22.50 of convertible loan stock. With 100 Technology shares, the figures would be £6.67 in cash, 20.7 Enterprise shares and £62.20 in convertible loan stock. convertible loan stock.

The convertible stock can be converted on the basis of one share for every £1 nominal of stock on two specific dates in any year.

The new trust aims to put increased emphasis on develop-ment capital investment across hroader range

industries. Murray Johnstone remains manager, on an annual fee of 2 per cent on unlisted invest-ments and 0.4 per cent on listed. This compares with 2.5 per cent on Electronics and 1.25 per cent on Techonolgy.

Arthur Shaw profits

rise 27% to over £1m

ARTHUR Shaw, the USM-quoted maker and designer of safety and security fittings for windows, reported a 27 per cent gain in pre-tax profits for the year ended April 2.
Mr Ian Tickler, chairman, said the increase from £905,000 to £1.15m was achieved

entirely through organic

growth. Turnover rose 15 per cent to £13.2m (£11.48m).

Earnings per share were up to 10.08p (9.36p), and a final dividend of 2.7p hrings the total to 3.8p (1.3p).

The chairman said the rise in interest rates might lower demand for fittings in new houses and replacement win-dowa. But he expected any downturn will be compens for hy growing demand for security oriented products.

Summer terms revised

By Phillo Coggan

SUMMER International, the education and training group, has revised the terms of the sale of its Linguarama language school business to BPP
Holdings, the financial training, private education and publishing group.
Summer has warranted that

the pre-tax profits of Linguar-ama will be not less than £1.25m, compared with the £900,000 earlier announced. BPP has accordingly increased the inital cash consideration

from £8.1m to £10.13m. The total consideration may

reach a maximum of £20.03m if Linguarama's pre-tax profits exceed £2.25m in 1990.

Meanwhile, Summer has aftered the terms of the deferred consideration it originally paid for Linguarama. It is now paying Alexander Proud-foot £1.72m in cash on completion of the sale to BPP and a further £1.1m in March, 1990.

Somic 15% downturn

A 15 per cent drop in pre-tax profits was announced by 9.84p per share after a tax charge of 194.682 (2119.481). the year to March 31. On turnover down from £3.61m to £3.46m, the pre-tax result fell to £291.494 against £343,614.

The final dividend, however, is being maintained at 2.25p for an increased 3.25p (3p) total.

The directors said that although trade at home had been more or less in line with forecast, the present economic trends in the UK meant that the current year promised to be difficult.

Hicking profit doubled

By Ray Bashford

HICKING PENTECOST, the Nottingham-based clothing and textile group which has attracted takeover speculation, increased pre-tax profits from £369,000 to £723,000 for the year ended March 31 1989.

Mr Stephen Hyde, managing director, again expressed con-cern about the activity in the company's shares during the past 12 months which has seen a large parcel of stock move between four shareholders. Robertshew Holdings, the private property company headed hy Mr Stuart Robert-shaw, acquired a 15 per cent stake last Fehurary and has

stake last Feburary and has built it up to 18 per cent.

Turnover was higher at £19.16m (£12.67m) and after tax of £43,000 (£11,000) earnings per share came out at 10.66p (5.61p). A final dividend of 1.5p is being proposed to make a total for the year of 2p (0.5p). Mr Hyde, said this would form the new base from which dividends could move forward in line with the progress of the line with the progress of the

IJ Dewhirst warning

By Alice Rawsthorn

IJ DEWHIRST, one of the largest and longest established suppliers of clothing to Marks and Spencer, has warned shareholders that its pre-tax profits may fall in the first half of this year due to singgish consumer demand.

The company has also concluded a desi with Bruce Old-field, a leading Loudon fashion designer, to manufacture and market a less expensive cloth-ing collection to be called Bruce Oldfield Diffusion. Mr Anthony Vice, chairman, told the annual meeting that the group was experiencing a disappointing start to the present financial year. Sales were

showing only a slight increase on the previous year and as a result profits may fall in the first half.

Tonks £7m purchase

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the agreed hid for Laidlaw Thom-son, the USM-quoted architec-turer of architectural hardware, is making its second move into the distribution field with the acquisition of the Kent-hased DA Thomas, an architectural ironmonger, for

The acquisition comes less than three weeks after Newman Tonks's first venture into distribution with its £14.5m

tural ironmonger.

DA Thomas will be bought mainly for cash, but £609,875 of the consideration will be met through the issue of 297,500 new shares in Newman Tonks at 205p a share.

Mr Doug Rogers, Newman Tonks's chief executive, said DA Thomas was an excellent with Laidlaw Thomson.



Investing in our strong suits is bringing rewards

In the last year, Unigate has continued its policy of concentrating on those activities which it knows best and which show the greatest potential for growth - food and distribution. This strategy is now bringing rewards, with profits up 7% over 1988 at £100.5m. Sales have increased by a healthy 9% to £2,355m, and our progressive dividend policy is maintained by a 10% increase on 1988.

Following the sale of part of Unigate Dairies in early 1989 for £152 million, our dependence on the mature market for liquid milk for profit has been reduced from 30% to 20%. But food remains the Group's major business and accounts for 75% of our total sales.

KEY RESULTS		
	1989	1988
Turnover	£2,355m	£2,165m
Pre-tax Profit .	£100.5m	£94.0m
Earnings per share	29.6p	27.6p
Ordinary Dividends	13.90p	12.65p

The continuing success of St Ivel's strong brands, Gold, Shape and Real, rewards their commitment to the needs and changing tastes of health-conscious consumers.

In America, our Frigo and Gardenia cheese brands achieved record sales and the Black-Eyed Pea restaurants enjoyed their best year ever.

Our Wincanton motor and transport busi-The contents of this statement have been approved for the purposes of section 57 of the Primarial Services. Act 1986 by Peat Marwick McLantock, which is authorized by the ICAEW to carry on programme business. Peat performance is not programme.

ness showed a top gear performance with brisk acceleration to record profits.

The single-minded pursuit of excellence in those fields we know best will, we are sure, continue to pay handsomely in the years ahead.



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FOOD A	AND DISTRIBUTIO	N
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COMMODITIES AND AGRICULTURE

Brent oil slides to 4-month low

OII, PRICES yesterday fell to 4-month lows as traders pon-dered uncertainty about production quotas among the Organisation of Petrolaum Exporting Countries.

Brent Blend, the North Sea marker crude, was being traded on the European spot market at \$16.80%, down 74% cents on the day and well over \$1 less than at the end of last week's meeting of Opec Minis-

The Vienna meeting, which ended last Wednesday, reached a formal agreement to raise the a formal agreement to raise the group's production quota by im barrels per day to 19.5m b/d. However two members, Kuwait and the United Arab Emirates, rejected their quotas and made clear they would continue to exceed them.

Yesterday, Kuwait's higher oil committee reiterated its reservations at the Vienna deci-

ervations at the Vienna decision and renewed a call for a higher individual ceiling.

The uncertainty was accompanied by a spate of diverging estimates by analysts around

Salamon Brothers, the US finance house, said there might be a quota "leakage" which would keep Opec production above 21m h/d in the third

quarter, compared with an International Energy Agency estimate of 19.6m b/d.

Wood MacKenzie, the Edin-burgh-based stock broker, said expected a continued erosion of spot crude prices at least until a meeting of the Opec marketing committee in Sep-

ember. It therefore assumed that the average spot price for Brent crude in the second half of the year would be \$16.30 a barrel, compared with \$18.20 for the first half, and an anticipated average for 1989 as a whole of \$17.25 a barrel.

A slightly more optimistic note was sounded by the Nicosia-based Middle East Economic Survey, which said Opec ontput could come down if there was "respectable quota observance among the Opec majority and volume restraint. majority and volume restraint among the dissenters. Petroleum Intelligence

Weekly, another industry newsletter, said there was a consensus in the market that prices would fall "only gently" provided that Opec overproduction was not excessive. The short-term danger for

Opec was that "Kuwait and the UAE may continue at full throttle."

Tin litigation enters final phase in House of Lords

By Raymond Hughes, Law Courts Correspondent

THE LAW Lords yesterday began hearing the final appeal by creditors of the International Tin Council in one of the major pieces of litigation that followed the council's collapse into insolvency in 1985.

After losing in the High Court and Court of Appeal, the creditors will make a final bid in the House of Lords to have the council's members held legally liable for its debts.

The hearing is expected to last about six weeks and the Lords are unlikely to give judg-

ment until the autumn.

The ITC, which aimed to maintain a balance between tin production and consumption. and to prevent excessive price fluctuations, collapsed owing hundreds of millions of

a Court of Appeal ruling in April last year that the mem-bers — the UK, 23 other states and the European Community - were not liable under English law.

The roling was made in actions by two London Metal Exchange traders - J.H. Ray-ner (Mincing Lane), part of the

The old man expressed his opinions in the days before field scale irrigation, of course, which has revolutionised pro-

duction from the sands. He also reckoned without the experience of the last few

A series of wet summers through the 1980s has enabled light land farmers, even those without irrigation, to produce excellent crops from their easy working soils. Farmers fighting with headers are collected.

with heavier, so-called better land, have heen green with envy. This year, however, old

time wisdom may come into its

Those who were caught in some of last week's storms may find it difficult to believe

that many crops in the south

lar are still suffering from lack

of moisture. Bear in mind, however, that by their very nature summer rains of this

kind are isolated rather than general and while some places

TIN BUYERS taking delivery of the metal in Singapore from any approved warehouses of the Kuala Lumpur Commodities Exchange will have to pay a premium of US\$20 a tonne starting from August 1, writes Wong Sulong in Kuala Lum-

The KLCE, in an announcement yesterday said the imposition of the premium was to reflect the higher cash tin prices in Singapore compared with Penang smelter prices, and to attract That and Indonesian traders who ship their

S.& W. Berisford group, and Maclaine Watson, a subsidiary of Drezel Burnham Lambert.
Two High Court judges had held that, contrary to the traders' contention, the ITC had a distinct legal personality, sepa-rate from its members, and was therefore solely responsi-

ble for its debts.

That decision was upheld by the appeal judges by a 2-1 Lord Justice Kerr described a "untenable" the creditors'

tin to Singapore for transshipment overseas to participate in the kice tin futures

The exchange said prices were higher in Singapore because tin from Phuket (Thailand) and Banka (Indonesia) and sometimes from Penang, is transshipped at Singapore, thus increasing the feeder

Meanwhile, the executive council of the seven nation Association of Tin Producing Countries will hold a two day meeting in Kuala Lumpur,

argument that the ITC was legally inseparable from its members, who were an unin-corporated association trading in the name of the ITC.

That submission, Lord Justice Kerr said, disregarded the fact that, like virtually every other international organisation, the ITC was a legal entity under international law. Lord Justice Ralph Gibson said that, although the mem-bers were not liable under starting today, to review the market situation, including the reintroduction of tin intures trading on the London

Metal Exchange on June 1.

The ATPC meeting is also expected to call for the early establishment of the proposed international tin study group to take over the data collecting function of the transfer. ing function of the international tin council which ceases operation at the end of this

So far, 36 producing and consuming countries have agreed to join the ITSG.

English law, and could not be ordered by English courts to pay funds directly to the ITC to satisfy the creditors' claims, they were probably liable under international law to provide sufficient funds to the

Lord Justice Nourse, how-ever, said that English and international law together pro-vided a sound basis on which the members should be held liable to the creditors. An

recognise that in international law the attribution of legal personality to an international organisation did not necessarily free its members from liability for its obligations.

The three appeal judges were united in their criticism of the united in their criticism of the ITC and its members. The ITC's conduct, they said, was "unbecoming to an international organisation" and its members were "at least morally obliged to put the ITC in funds to ensure that its creditors are ultimately paid in fed."

The House of Lords hearing is being held against the back-ground of continuing attempts to resolve the dispute by diplo-

Meanwhile the second major meanwhat the second major meet of tin litigation is wend-ing its way towards the House of Lords. In February a High Court judge ruled that the non-UK ITC members did not have sovereign immunity against creditors' damages claims based on alleged reck-less or fraudulent misrepresentation.
The states were subject to the jurisdiction of the English.

the 1828 Statute of Frauda.
(Amendment) Act gave the UK
a defence to such a claim,
because it provided that no
legal action should be brought
unless the representation
relied on was made in witing
and signed by the defendants.
That last ruling took the
edge off the creditors' delight
at the judge's decision of sovereign immunity, which
merely put the foreign states
in the same position as the UK. and therefore gave them also the 1828 Act defence.

court because of the commer-

cial nature of the transactions that gave rise to the creditors'

claims, said Mr Justice Evene.

The states will challenge that ruling in the Court of

Appeal, probably later this year. At the same time six bank and nine broker creditors will appeal against the judge's decision that they had no sustainable case against the UK for either negligent misseppearation or fraudulent trad-

Mr Justice Evans said the

broker creditors had a good claim against the UK for fraudulent misrepresentation — but the 1828 Statute of Frauda

Too much sun takes the shine off UK crop hopes

The recent storms were welcome, but many arable areas are still seriously short of moisture

Hope fades in talks on international coffee pact

By David Blackwell

Little progress was made yesterday as the positions of the two principal protagonists — Brazil and the US — remained entrenched. This left no hope that either of the two proposals for extending the current agreement beyond September could be voted through.

The full international Coffee Organisation council was due to meet last night at 11 pm. Talks, which were not expected to hreak up until the early hoors of this morning, had originally been scheduled to end last Friday after a week. The battle to save the agree-

ment led to negotiations con-tinuing through the weekend. The US, the biggest consumer, has consistently said that it would consider a oneyear extension of the agree-

LINE WARREHOUSE STOCKS (Change during week ended lest Friday) tornes

Silver (oz). tenchanged at 9,082,000

TALKS ON the future of the International Coffee Agreement appeared to be heading for failure last night as the third 24-hour extension drew to a close.

Little progress was made ment only if ICO export quotas were immediately redistributed to bring more arabica coffee onto the market. It is supporting a proposal along these lines by the "other milds" producers — mainty central America top

mainly central America top quality arabica growers. This would hring about 2m more bags of "other milds" coffee onto the world market at the expense of other producers. Brazil, the biggest producer, has been equally consistent in opposing any proposal which would reduce its 30 per cent share of the market under the export quots system. Export export quota system. Export quotas are used by the ICO to try to stabilise market prices.

Brazil, Colombia and the EC

have jointly proposed a one-year extension of the current greement in order to complete negotiations for a new agree-ment timed for it to start in October, 1990. The new agree-ment would begin to tackle the two-tier market, under which some coffee is sold to countries outside the agreement at dis-counts of up to 50 per cent, by quantitative restrictions on

Late yesterday evening no compromise was in sight. "The substantive debate is over," said one delegate. "There is no optimism that middle ground can be found "



By David Richardson

may have had 25 to 30 mm others, to my certain knowledge, had only 5 to 10

On our farm, for instance, we had a violent thunderstorm, with lightning striking a farm-house. It destroyed an Elizabe-than chimney, burned out electrical wiring, fuse boxes, telephone lines, two computers and a few other things besides (insurance company please note). But the rain associated with it was limited to just 9

That said, I am bound to concede that last week's modest rainfalls were welcome and did some good. In most areas, however, the moisture deficit for crops such as astumn-sown wheat and barley remained at The damage was done during May. In this our of East Anglia we recorded about 300 hours of sunshine during the month, or was 50 per cent above the long-term average.
In those conditions, with a

crop in full growth, such as wheat, the transpiration rate - that is, the amount of moisture moving up from the roots through the stem and out of the leaves into the atmosphere

is the equivalent of 5 mm of
rain a day or 35 mm a week. Even when the weather is overcast and cloudy, wheat plants lose between a millimetre and 25 mm of moisture a day and if that is not replaced crops eventually begin to show signs of stress. This is in fact normal in the arable areas of Britain, but

does not usually happen until late June or July when cereal crops are in any case ripening and beginning to need less Critical levels of moisture deficit vary according to soil type and crop. But in general terms the yield potential of a cereal crop on light land will begin to suffer at about 50 mm below optimum and on heavier land at about 100 mm below. By the end of last week in our immediate area of Norfolk, moisture deficits on winter cereals were well above 100

mm and rising.

Look over almost any hedge in East Anglia and the results critical levels and in some are obvious. On unirrigated places it actually increased. light land patches of careals— usually barley— have died off already. And the patches are growing as the drought contin-ues.

US MARKETS

DOW JONES (Base: C

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GOLD, SILVER and platinum prices

WORLD COMMODITIES PRICES

On heavier eoils where wheat dominates cereal cropring the tips of so-called flag leaves heve died and gone yel-low because of lack of rain. This is the first sign of mois-

This is the first sign of moisture stress. At a time when the grains in the ears are filling and ultimate yield is being determined, it is certain to reduce potential.

A month ago, when most crops looked very well and before the drought had begun to hite, the Home-Grown Cereals Authority issued statistics on the UK crop. Plantings of wheat, they revealed, were up 10.3 per cent and the total UK cereals area was up 0.6 per cent to 9.6m acres. If average yields were up to 1934 levels, said the authority, this would produce a total UK grain harvest of a record 26.17m tonnes. The authority also pointed

The authority also pointed out that an average yield similar to 1988 would produce a harvest of just 21.28m tonnes. At the time that possibility was discounted. If the drought persists through the summer, however, even that could prove optimistic.

Meanwhile, the UK's 500,000 acres of sugar beet, most of which are in the east of England, would benefit from rain but as the crop will not the immediate problem. Aphids, which survived the mild winter in large numbers, are infesting crops and almost certainly doing serious dam-

It is not so much what the insects eat, although that can cause concern in an extended cause concern in an extended dry period, as the disease which some of them carry. Virus Yellows, which can decimate a sugar heet crop, reducing both yield and sugar content in the root significantly, is spread by the aphid myzus persione.

This year, according to bor-fins at Brooms Barn, the sugar beet research station near Bury St Edmunds in Suffolk, their numbers have reached epidemic proportions and exceeded those in the disastrous summers of 1974 and 1976. Those were years of severe reductions in UK sugar produc-tion, which, combined with world shortages, caused quenes at supermarkets for limited supplies. It seems unlikely, although

It seems unlikely, although by no means impossible, that UK sugar production will be hit hard enough to cause such a panic this year. About two-thinds of the national acreage of sugar beet was planted in good conditions at the right time-fust after Easter and having germinated well, is now looking premising. In fact, if it-were not for sphids and the probability that most crops were not for aphids and the probability that most crops have at least some Virus Yallows infection, some farmers might now be looking forward to yields as high as in the record year of 1962.

In addition, the aphid problem was predicted as early as last February as frests failed to materialise during the winter

materialise during the winter

COPPER 26,000 the: cents/the

Close Previous High/Low

and a high proportion of super-best growers applied a grana-lar insecticide to their figids during planting. This helped protect those crops from infes-

But the effectiveness of that treatment has now worn off and farmers are being urged by British Sugar, which processes the crop, to take further mea-sures. Only one insecticing — Pirimicarly—is recommended, partly because aphids have begun to develop immunity to others and partly because it kills applies and not beneficial

Now, however, because of the size of the problem, which also spreads across virtually all the sugar best fields of northern Europe, there is a shortage of the product. ICI, which manufactures Pirimicarb under the brand name Aphor claims, to have pro-Aphox claims, to have produced four times the normal amount of it this year and to

be producing more as fast as But as demand increases through the summer as farm-ers need to tackle aphids on other crops like potatoes, beans and ceresis, the possibil-ity exists that supplies will run

All we can hope for then is that there will be an explosion in the number of aphid predators which will eat them. It is called biological control, it is cheaper than chemical control and it is Green. I for one am hoping for a plague of lady-

Chicago

SOYABEANS 5,000 bu min; cents/60th but

LONDON MARKETS

THE CONTINUED strength of the dollar was the outstanding factor in the metala markets yesterday. On the London builton market gold sagged another \$8.50 to \$360 a troy ounce, while on the London Metal Exchange the dollar-denominated base metals at came under pressure. Cash high grade zinc was down \$30 at \$1,495 a tonne. a toppe and cash pickel plumbed fresh 8-month lows before ending \$775 down at \$11,750 a tonne. In contrast renewe concern about supply availability lifted cash lead by £15 to £442.50 a tonne, while the three months position gained another £4 to a near two-year high of £410.50 a tonne. Copper, the LME's other sterling market, relinquished £14 of last week's £32 raily, despite the bullish currency influence and another large fall in LME warehouse stocks.

Crude oil (per barrel FOB)		+ 07 -
Duban	\$14.55-4.70v	
Grent Blend	\$19,77-6,844	
W.T.L (1 pm ast)	\$19.45-9.50v	
Oil products		
(NWE prompt delivery per t	onne CIF)	+ 01-
Premium Gasoline	\$220-222	7
Gas Oil	\$138-139	-6
Hoavy Fuel Oli	\$85-86	-2.5
Naphtha Petroloum Argus Estimates	\$170-172	-7
Other		+ or -
Gold (per trey oz)	\$360.0	_
Silver (per troy oz)	521c	-8.5 -20
Platinum (per troy oz)	\$483.90	-10.36
Pelledium (per troy oz)	8150.75	-3.25
Aluminium (free merket)	\$1875	-26
Copper (US Producer)	1185g-117c	+ 1
Lead (US Producer)	37.25c	74
Nickel (free market)	580c	-15
Tin (European free market)		-156
Tin (Kusta Lumpur market)		+0.15
Tin (New York)	469.00c	-5.76
Zinc (US Prime Western)	80 % C	
Cattle (live weight)	122.580	+0.84*
Shoop (dead weight)	205.340	29.8
Pigs (live weight)†	92.730	+5.28*
London daily sugar (raw)	\$290u	-
London dally sugar (white)	\$309u	+2
Tata and Lyle export price	£302.0	+2.5
Barley (English feed)	£104W	
Maize (US No. 3 yellow)	£131.0	
Wheat (US Dark Northern)	€130,5u	+ 1.0
Rubber (spot)♥	68.0a	+0.5
Rubber (Jul) *	63.50	+0.5
Rubber (Aug)	64.0p	+0.5
Rubber (KL RSS No 1 Jul)	252.5m	-1.0
Coconut oil (Philippines)§	\$557.5x	
Peim Oil (Malaysian)& Coora (Philippines)&	\$350 \$355	-6
Copra (Prohippines)? Bovobeuts (US)	£198u	

c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/ Aug. w-Aug. z-May/Jun. †Meat Commission ago. VLondon physical market. SCIF Rotterdam. • Bullion market close, m-Malaysian cents/kg.

COCOA	E/tonne		
	Close	Previous	High/Low
Jul	017	617	824 610
Sep	837 892	835 888	841 830 884 886
Mar	885	808	884 885
May	898 812	892 905	898 893 907
Sep	930	215	924 915
Turnove	r:4040 (50	(51) lots of	10 tonnes
price for	Jun 9 10	MC68 (SDR 08.89 (1001	a per tonne). Dell 34 :10 day everag
for Jun	10 979.88	(962.66)	
COPPLE	E 2/tonne		-
	Close	Previous	High/Low
Jly	1220	1221	1230 1211
Sep	1186 1177	1106 1186	1205 1186 1197 1775
Jen	1178	1182	1100 1171
Mar May	11 66 1166	1174 1178	1165 1165 1165 1165
Jly	1165	1186	1168
Turnove	:2105 (27	13) lots of	O tormes
Jun 9;	Comp. d	ces (US C	ints per pound) to (113.54) . 10 day
			1
SUGAR	(S per to	me)	
Rew	Close	Previous	High/Low
Aug	264.80 263.60	259.60	265.00 257.40
Dec	252.03	259.00 256.60	263.80 262.00 254.00
Mar	255.40 255.00	250.80	253.40 248.00
Aug	254.00 263.00	250.20 254.00	252.00 248.00
Oot		249.00	250.80 250.20
White	Close	Previous	High/Low
Aug	359,00	358.00	359.00 336.00
Dec	324.00	330.00 322.00	332.00 329.50
May	312.00 310.00	310,50	311.00 308.00 308.00 305.00
Turnove			lots of 00 tonnes
White 10	97 (1190)		
Dec 219	hite (FFr 1. Mar 21	per tonne): 10. May 21	Aug 2440 Oct 2240 10 Aug 2110.
			to rady Erro.
CHUCK	OM. S/ba		
	Close		
Aug Sep	16.64	17.34	17.00 16.60
IPE Inde	x 17.57	77.15 17.34	16.72 16.40
Turnove	6407 10		
GAS OF			
	Close	Previous	High/Low
Jul	139.25	143.00	140.00 138.00
Aug	138.25 139.25	142.75	140.00 138.00
Sep Oct	139.25 141.25	142.75 144.00	141.25 130.75
Nov	142.00	146,00	142.50 140.75 144.50 141.75 145.00 142.75
Dec	143.50	146.76	145.00 142,75
Turnove	6070 (45	85)lots of	100 tonnes
TEA			
	were 17.	790 packag	es on offer
includ	ina 6.692	offshore, re	mores the Tea
Broke	rs Associ	ation. This	was o strong and no additional
BACDOL	enquiry.	Bright and	coloury medium
East /	Unicane w	rara keanly	competed for and
100000	rreduser.	Bright Cen	ists, however, trai Africans also
advan	ced shan	aty while m	edium soris were
			nali quantity of dearer. Ottahore
tous a	teo met s	trong dema	nd and prices
			tions: quality (115a), low

					_						_
OHERO!	-	- EDICCHL			Prio	se anbblie	_				
	Close		Previous	High/Low		AM Officia	U K	arb e		Open	_
_			S per tonne)		_			Hing	purnov	14,	60
स्था सम्बद्धाः	1875-0		1915-95 1860-6	1872/1870		1672-5 1625-7	1	832-5		35,386	k
	Grade A			1010	_	10-07-1			BUTTON	_	_
-	1540-2		1054-0	1841/1840	_	1640-1			-		
month			1649-60	1639/1619		1829-30	1	E22-3		78,302	k
ead (E p	our torme							Filing	MADON	13,8	Š
anti-	440-5		427-0	460/445		448-50					
month			406-7	413/406		413-4		11-2		9,653	_
ickai (\$	ber four				_			HUTT	tumo	NUT 1,7	01
months	11700	800	12500-50 11600-60	11650/1125	90	12175-200 11300-400	1	1200-6	0	7,290	ict
			1.000	11000	-	11000			ng turn	_	_
	* torres)	48	10310-20		_	10235-65	_				_
menth	10225	80	10350-40	10300/102	45	10286-70	18	255-6	5	1,155	lot
inc, Sp		Grade I	(5 per tonne)					Ring	turno	8,1	25
ine?	1615-0	10	1840-60	1627/1620		1025-7				44 004	
(HOUSE		0	1553-60	1640/1620		1630-5		20-5		11,904	_
Inc (\$ p	er torme)						_	Henry	ршом	10,7	10
month	1490-5	00	1520-90 1483-5	1505/1504		1503-4 1465-60	14	150-6		10,126	k
III LA TELLE	1400-										
	DEE S/101			_	(in	MEDON ST		1 124	HCET.		_
CIAI		Previo	us High/Low		-	id (fine cz			_	equiv	, le
	Close	101.0	105.0 102		-			-300%		52-2	_
Nov Feb	130.0	110.3	-20		Ck	ening		837	2	31-4	
ATT.	195.9	175.7	197,0 185. 212,0 202		Mo	rning fix	355.5		2	3.655	
Very _	214.0			<u></u>		emoon the	350.5	. Sep L	2	5.306	
UTBOVE	S04 (44	a) 100s C	40 tonnes.		De	's low	3674	457			
OYAL	TAN HEL				Col		\$ pric	-	2	egutva	ie
	Close	Previo	as High/Low		_	pielesi	370-3	_		2 245	_
lun Nua	133.00 147.50	182.00	146.50		Qr)	tennis	370-3	75	24	2-245	
)d	147.00	145.50	147,00 140	1.50		Engle	370-3	75		14-2	
umove	r (110)lot	e ct 20 t	DITION.		Kn	perrand	355-0	11	25	4 - 2	i i
					Ner	a Sov.	844	6.	58	اک جار	4
-	T FUTUR	SE \$10	Index point			Sov.	845-4	15 k 1-493.8		7.05-8	÷
	Close	Previou			1404	ne rum	400.0				
lun	1385	1345			_						
ical .	1360	1335	1960 1345 1460 1463		881	rer fix	p/fine	0Z	T)	S cts 1	q
Det len	1480	1496	1520 1501		Spo	nt .	339.2	, –	5	9.20	
201	1530	1515	1590		3 .	CONTRACT OF	351.80			1.85	
連	1400	1406				months months	365.85			2.95	
umove	185 (11	9			12		300.10		-	~~~	
			-								
					_						_
GRARE	E/torane				LO	RECH PE	IAL ID	CHA	IN TH	4DED	01
(Florid	Close	Previo	us High/Low		Ak	mirkin (S	27%)	C	###		Pu
ton	115.80	115.80	115.90 11	5.80	Str	ike price !	tonne	Jul	Sep	Jut	
Sep	104.90	104.75			175	50		137	177	10	-
Nov	107.95	107.50	106.00		186	iO		57	86	39	
					196	50		25	33	80	
Barley	Close	Previo	us High/Low		Co	pper (Graz	ie A}	0	elfe.		Pu
Sep	103.65	103.40	103.65		240		_	115	145	29	
Nov	107.00	105.80	107.00		250			56	99	71	
Jen Mer	113.40	110.10	110,35		200	XO		23	64	137	
Mey	114.75	114.50	114,75								
Turnove	r: Wheat	13 (65).	Barley 39 (21	1	-	HOOK FO	-	-	-		_
TUTTOV:	r lots of	100 toni	104.		_		. 184				_
					<u>Co</u>			Jul	Sep	Jul	
HOE (C	ach Sett	ement) s	Jiko .		115			65	78	3	
-	Close	Previo			120			31 15	<i>9</i> 2	16 50	
lun	174.0	113.0	112.5		_					_	_
Aug	111.0	110.5			_	200		Jul.	Sep	التال	
Nov	115.0	115.0	114.5 115.2		750			65	90	1	
	116.0	115.7			800			23 4	52 26	5 39	
	27 (35)	102 Of 5	SACOU RE		-			•			

OVET!		VEST GUILL	-		- June	108.05	110.25	108.00	105.00	201/	-	your bu min;	Carl Man of Alfa I	
	ered (alightly i	t the ma	red short	Jul	108.65	111.06	110.50	107.60		Close	Previous	High/Lov	
-			nham La		Sep	107.75	110,05	100.00	105.00	Jul	093/0	.702/4	700/4	600/
				the copper	Dec	105.00	105.50	100.20	104.30	Aug	662/4	673/6	669/0	8824
				stocks. In						. 540	629/6	636/4	654/4	0277
				the days	CHILD	W 04 8	abit 49 non	US galls !	Thomas .	Nov	618/0	627/0	623/4	614
				news of the						Jen	636/4	636/2 646/0	632/0	434
			sank pric			Letost	Previous	Highto		May	645/0	653/4	645/0	035/ 041/
			res gain		Jul	19.56	19.68	19.68	19.31	Jul	645/0	654/4	045/0	642/
				ding was	Sop	17.82	18.41	18.15	17.76	SOYA	MEAN ON	L 80,000 lbs;	controllb.	
					Oot	17.57	18.14	17.95	17.60					
			ks, pork	rices and	Nov	17.35 17.80	17.94 17.79	17.63 17.55	17.86 17.16		Close	Previous	High/Low	•
					Jan	17.17	17.65	17.46	17.95	Jul	20.01	20.38	20.35	19.9
				rest Cattle	Feb	17.04	17.55	17.31	17.03	AUG	20.20	.20.59	20.53	20.2
			a discou		Mar	17.06	17.46	17.21	17.95	Sup	20.42	20.75	20.70	20.4
			d. Carry		Apr	17,04	17.37	17.95	17.04	Dec	20.66	21.20	20.85	20.00
			s higher	limit due							21.02	21.82	21.20 21.39	21.0
					· HEAT	THE CIL 4	2,000 US 0	pallo, conta	/US gelle	. Jan Mar	21.45	21.72	21.70	21.4
			e buy st			Latest	Previous	High/Lo	W	May	21.95	21.95	21.82	21.0
				on tresh	Aug	4600	4761			BOYA	BEAN NE	AL 100 tons;	Same	
			nd comm		See	4670	4625	4710 4700	4575		Close			
				rere lower	Sep	4750	4006	4605	4740	-		Previous	High/Low	,
			NUMBER OF STREET	ighed on	Nov	4815	4989	4910	4515	Jul	201.7	204,4	203.5	201.
e ma	urkets.				Dec	4000	5044	800g	4885	Aug	196.0	198.5 192.2	197.5	1954
					Jen Feb	4830 4636	5004	4975	4850	Oct	184.7	187.0	791.0	100.0
	- 1	-				4000	2004	-4976	4935	Dec	184.4	187.1	186.5 185.8	. 184.0
6		fork			COCK	10 10	es.\$/tones			Jen	184.6	187.0	186.0	183.6
			•							Mar	184.1	187.0	186.5	184.4
						Clope	Previous	High/Lot		May	163,6	185.7	163.0	184.0
					Jul	1168	1177	1172	1143	HAZZ	5,000 bu	min; centur5	Afte bushed	
LD 10	D troy	DZ. STOY	02.		Sep	1205	1212	1906	1182		Close			
	Hose	Previous	High/Lo		Dec	1236	1236	128B	1216			Previous	High/Low	,
	81.0	358.1	536.0	359.5	Mar	1264	1252	1245	1225	JUJ .	249/4	251/6	251/0	24076
	63.8	358.5	0	0	Jel	1278	1276	1240	1250	Sep Dec Mar	233/2	236/2	256/0	2344
	65.8	362.0	367.0	362.8	Sep	1260	1290	1263	1263	Mar	241/2	232/2 240/0	235/4	230rt
. 3	100.E	385.7	370.5	396.5	_					May	246/2	244/2	243/2	2304
	73.5	200.4	374.6	370.0 374.6	CORR	W 45 47	5000be; ce			Ju	246/2	244/4	248/4	2444
	17.3 181.3	373.1 377.0	\$77.0 380.5	377.0	-				<u>. </u>	Sep	240/4	236/4	240/4	258/2
	85.3	380.9	358.8	384.5	·	Close	Previous	High/Lor	· .		236/0	234/0	239/0	177 A 44
	88.5	384.8	280.0	369.0	Jul	124.90	129.69	125.00	124.05	WHEA	7 6,000 bu	anin; cente/(City-burnes	-
					Sep	119,75	126.98	124,40	119.00		Close			
					Dec	117.68	128.53	121,00	117,53	-		Previous	High/Low	•
AT DEL	4.50 t	ray oz; \$/1	TOY OZ.		Mar	117.20	122.00	121.75	117.20	Jul Sep	385/4	386/4	300/4	386/0
					May	118.00 119.00	121.00	121,00	120,50	Dec	409/2	394/0	397/4	305/2
	Close	Previou	. High/Lo		Вер	118,00	119.50	119,00	119.00	Mar	415/2	407/2	411/0	400/0
- 4	105.4	485.7	491.0	484.5				٠.		May	404/0	402/0	415/4	414/0
4	100.2	467.7		467.0	91104		~11° 1121	000 that car	de Alba-	Jul	360/2	671/6	405/0	492/0
			403.0											300/0
	1.5	469.2	402.6	460.0	34					DATE O			372/0	
4	194.8	469.2	492.6	495.0		Close	Previous			LINEC	ATTLE 40	1,000 Rbs; com	2150	
4		469.2	402.6		Jul	Close 11.81	Previous 11.57	High/Los 11.82	11.48	·	ATTLE 40 Close		ts/ibe	
4	194.8	469.2	492.6	495.0	Jul	Close 11.81 11.80	Previous 11.57 11.65	11.82 11.82	11.48	- Jun	Close 70.22	Previous	ts/lbe httph/Low	
	194.8 196.8	489.2 482.7 486.7	492.5 495.0 0	495.0 0	Jul Oot	11,81 11,80 11,12	Previous 11.57 11.65 10.87	High/Los 11.82 11.82	11.48 - 11.53 - 0	Jun	70.22	Previous 68,82	High/Low 70.45	60.82
	194.8 196.8	489.2 482.7 486.7	492.6	495.0 0	Jul Oot Jan Mar	11.81 11.80 11.12 ,11.40	Previous 11.57 11.65 10.97 11,26	High/Los 11.82 11.82 0 11.41	71.48 - 11.53 0 - 11,17	- Jun Aug San	70.22 69.05 68.50	Previous	High/Low 70.45 69.45	60.95
VER	5,000 h	468.2 492.7 496.7 roy 92; ce	492.6 495.0 0	0	Jul Cot Jan Mar May	11.81 11.80 11.12 11.40 11.39	Previous 11.57 11.65 10.97 11.26 11.22	11.82 11.82 0 11.41 11.85	11.48 -11.53 -0 -11,17 	Aug Sep Out	70.22 69.05 68.60 71.62	Previous 68.62 68.05	High/Low 70.45 69.45 70.30	60.55
VER	194.8 196.8 5,000 h	488.2 482.7 488.7 roy 62; cer Previou	492.6 495.0 0 ntu/troy oz.	0	Jul Cot Jan Mer Mey Jul	11.81 11.80 11.12 11.40 11.39 11.28	Previous 11.57 11.65 10.97 11.26 11.22 11.13	11.82 11.82 0 11.41 11.55	11.48 11.83 0 11,17 11.13 11.16	Aug Sep Oct Dec	70.22 69.05 69.60 71.62 71.90	Prévious 88.82 68.05 68.80 71.42 71.72	70.45 69.45 70.30 72.02	64.82 65.93 69.60 71.32
VER	5,000 ti Cioee	488.2 482.7 486.7 roy 62; cer Previou	462.5 495.0 0 nts/50y oz.	618.0	Jul Cot Jan Mar May	11.81 11.80 11.12 11.40 11.39	Previous 11.57 11.65 10.97 11.26 11.22	11.82 11.82 0 11.41 11.85	11.48 -11.53 -0 -11,17 	Aug Sep Oct Dec Feb	70.22 69.05 68.60 71.62 71.90 72.00	Previous 68.62 68.05 08.80 71.42 71.72 71.95	70.45 60.45 70.30 72.02 72.35	64.82 65.93 69.60 71.32
VER	5,000 to Close 520.2 523.0	469.2 492.7 496.7 Foy 02; ce Previou 516.2 519.0	462.6 496.0 0 nta/troy oz. p. High-Lo 520.0 827.0	518.0 519.5	Jul Oot Jan Mar May Jul Oot	Close 11.81 11.80 11.12 11.40 11.39 11.28 11.22	Previous 11.57 11.65 10.97 11,28 11,22 11,18 10,93	11.82 11.82 0 11.41 11.55	11.48 11.83 0 11,17 11.13 11.16	Aug Sep Oct Dec Feb	70.22 69.05 69.60 71.62 71.90 72.00 71.50	Previous 68.62 69.05 62.80 71.42 71.72 71.95 71.00	70.46 69.45 70.30 72.02 72.36 72.36 72.36 72.36	60.82 60.93 60.60 71.52 71.60 71.72
WER	5,000 to Cicee 520.2 523.0 527.5	489.2 492.7 496.7 Frey 02; CM Previou 516.2 519.0 523.5	462.6 465.0 0 mb/boy oz. p. High/L 520.0 527.0	618.0	Jul Oot Jan Mar May Jul Oot	Close 11.81 11.80 11.12 11.40 11.39 11.28 11.22	Previous 11.57 11.65 10.97 11,28 11,22 11,18 10,93	11.82 11.82 0 11.41 11.55	11.48 11.83 0 11,17 11.13 11.16	Aug Sep Oct Dec Feb	70.22 69.05 69.60 71.62 71.90 72.00 71.50	Previous 68.62 69.05 62.80 71.42 71.72 71.95 71.00	70.46 69.45 70.30 72.02 72.36 72.36 72.36 72.36	64.82 65.93 69.60 71.32
WER	5,000 to Cioco	489.2 492.7 498.7 498.7 Francisco 516.2 518.0 523.5 528.1	462.6 496.0 0 nta/troy oz. p. High-Lo 520.0 827.0	518.0 519.5	Jul Oot Jan Mar May Jul Oot	Close 19.81 11.80 11.12 11.40 11.39 11.22 11.22	Previous 11.55 11.65 10.97 11.28 11.22 11.18 10.93	High/Loc 11.82 11.82 0 11.41 11.86 11.53 11.22	11.48 11.43 0 11,17 11.13 11.16 11.22	Aug Sep Oct Dec Feb	70.22 69.05 69.60 71.62 71.90 72.00 71.90	.000 Re; cent Previous 68.62 68.05 68.80 71.42 71.72 71.95 71.90 00 Re; cents/H	70.46 69.45 70.30 72.02 72.36 72.36 72.36 72.36	60.82 60.93 60.60 71.52 71.60 71.72
WER I	5,000 to Close 520.2 \$23.0 \$27.5 \$32.1	488.2 492.7 496.7 Frey 02: CM Previou 516.2 519.0 528.1 540.3	462.6 495.0 0 mts/5-by oz. # High/L 520.0 527.0 0	518.0 519.5 0 828.5 641.5	Jul Oot Jan Mar May Jul Oct	Close 11.81 11.80 11.12 11.40 11.39 11.28 11.22 DM 50,000 Close	Previous 11.57 11.65 10.97 11.25 11.22 11.18 10.93 10.93	High/Lox 11.82 0 11.41 11.86 11.58 11.22	11.48 11.53 0 11.17 11.13 11.16 11.22	Aug Sep Oct Deg Fab Jun	70.22 69.05 69.05 71.62 71.90 72.00 71.90 GGS 30.00	Previous 68.62 69.05 62.80 71.42 71.72 71.95 71.00	16/hbs 16/ghrl.ow 70.46 60.45 70.30 72.02 72.36 72.20 71.30	60.82 60.93 69.60 71.52 71.72 71.72
WER I	5,000 to Cioco	489.2 492.7 496.7 Previou 516.2 519.0 528.5 529.1 540.8 542.8 552.0	462.5 465.0 0 1 High/L 520.0 527.0 556.0 550.0	618.0 519.5 0 828.5 641.5 0	Jul Oot Jan Mar May Jul Oct	Close 11.81 11.80 11.12 11.40 11.39 11.28 11.22 CM 50,000 Close 98.95	Previous 11.57 11.65 10.97 11.26 11.22 11.18 10.93 conts/fbs Previous 64.95	High/Los 11.82 0 11.41 11.86 11.58 11.22 High/Los 66.95	11.48 11.53 0 11,17 11.13 11.16 11.22	Jun Aug Sep Oct Dec Feb Jun LIVE H	70.22 69.05 69.85 71.62 71.90 72.00 71.90 696 30.00 Gloss 48.20	Previous BB.62 68.05 68.80 71.42 71.72 71.95 71.00 00 No: constant Previous	HighrLow 70.46 69.45 70.30 72.02 72.36 72.30 71.30 bs	60.60 60.60 71.30 71.60 71.72
WER !	5,000 to Close 520.2 523.0 527.5 582.1 544.2 547.6	488.2 492.7 495.7 Freshoot 516.2 519.0 523.5 529.1 549.8	492.5 495.0 0 1 152/507 GZ. 1520.0 527.0 0 556.0 0	518.0 519.5 0 828.5 641.5	Jul Oot Jan Mar May Jul Oct	Close 11.81 11.80 11.12 11.40 11.39 11.28 11.22 DM 50,000 Close	Previous 11.57 11.65 10.97 11.25 11.22 11.18 10.93 10.93	High/Lox 11.82 0 11.41 11.86 11.58 11.22	11.48 11.53 0 11.17 11.13 11.16 11.22	Aug Sep Oct Deg Fab Jun	70.22 69.05 69.05 71.62 71.90 72.00 71.90 GGS 30.00	.000 Re; cent Previous 68.62 68.05 68.80 71.42 71.72 71.95 71.90 00 Re; cents/H	High/Low 70.46 69.45 70.30 72.02 72.36 72.22 71.30 be High/Low 46.25	60.82 60.93 69.60 71.52 71.72 71.72
WER I	5,000 to Cioco 520,2 527,6 582,1 544,2 567,6 555,7	489.2 492.7 496.7 Previou 516.2 519.0 528.5 529.1 540.8 542.8 552.0	492.5 495.0 0 High/L 520.0 827.0 0 596.0 566.0 575.0	615.0 519.5 519.5 641.5 0 553.0 553.0 553.0	Jul Oot Jan Mer Mey Jul Oct COTT	Close 11.81 11.80 11.12 11.40 11.32 11.22 11.22 Close 68.95 68.90 68.41	Previous 11.57 11.65 10.97 11.26 11.22 11.18 10.93 Previous 64.95 66.20 66.41	11.82 0 11.41 11.36 11.45 11.38 11.22 High/Lox 65.35 95.30 90.41	11.48 11.53 0 11,17 11.13 11.16 11.22 95.40 95.45 95.45	Jun Aug Sep Occ Dec Feb Jun LIVE H Jun Jul Aug	70.22 69.05 69.05 69.60 71.62 71.90 72.00 71.50 GGS 30.00 Gloss 49.20 47.62 45.70	Previous 68.82 68.05 68.80 71.42 71.72 71.95 71.90 00 lb; centarii Previous 47.80	Hight.ow 70.46 69.48 70.30 72.02 72.36 72.32 71.30 Highr.ow 46.23 47.50	60,82 60,95 80,60 71,52 71,72 70,70
WER I	5,000 to Close 520.2 523.0 527.5 544.2 547.6 653.8	109.2 402.7 406.7 406.7 Previou 516.2 519.0 525.5 526.1 540.3 549.8 552.0 560.5	492.5 495.0 0 1 141gb/L 220.0 527.0 0 550.0 550.0 550.0	618.0 519.5 0 828.5 641.5 0	Jul Oot Jan Mer Mey Jul Oct COTT	Close 11,51 11,80 11,10 11,10 11,20 11,20 11,20 11,20 Close 60,95 60,95 60,41 69,40	Previous 11.57 11.65 10.97 11.22 11.22 11.28 10.93 0 conts/fbs Previous 64.95 66.90 66.41 57.40	High/Los 11.82 11.82 0 11.41 11.36 11.38 11.22 High/Los 66.95 96.90 96.40	11.48 11.58 0 11,17 11.13 11.16 11.22 66.40 66.45 66.45 67.70	Jun Aug Sep Oct Dec Fab Jun LIVE H	70.22 69.05 71.62 71.90 72.00 71.90 60.65 30.00 Gloss 48.20 47.92 45.70 42.02	000 lbs; cent Prévious 68.82 68.05 71.42 71.72 71.95 71.90 00 lb; centarii Previous 47.90 47.20 45.22	High/Low 70.46 69.48 70.30 72.02 72.36 72.22 71.30 bs High/Low 48.25 47.50 465.40	69,82 68,85 69,65 71,52 71,52 71,72 70,70 47,60 47,60 45,10
WER!	5,000 to Cione - Cione	469.2 402.7 496.7 496.7 516.2 518.0 523.5 529.5 549.8 559.0 559.0 560.3 560.8	492.5 495.0 0 High/L 520.0 827.0 0 596.0 566.0 575.0	615.0 519.5 519.5 641.5 0 553.0 553.0 553.0	Jul Oot Jan Mer Mey Jul Oct COTT	Close 11.81 11.80 11.12 11.40 11.32 11.22 11.22 Close 68.95 68.90 68.41	Previous 11.57 11.65 10.97 11.26 11.22 11.18 10.93 Previous 64.95 66.20 66.41	11.82 0 11.41 11.36 11.45 11.38 11.22 High/Lox 65.35 95.41	11.48 11.53 0 11,17 11.13 11.16 11.22 95.40 95.45 95.45	Jun Aug Sep Oct Dec Fab Jun LIVE H Jun Jul Aug Oct Dec	70.22 89.05 69.05 71.62 71.90 72.00 71.50 006 30.00 60.00 40	0000 lbs; cent Previous 68.62 68.05 68.60 71.42 71.72 71.95 71.50 00 lb; cents/li Previous 47.80 45.22 41.57 44.30	HightLaw 70.46 69.46 70.30 72.02 72.06 72.22 71.30 bs HightLaw 40.25 47.80 48.20	60.85 60.85 60.85 71.32 71.72 71.70 47.80 47.80 47.80 47.80 41.72
WER!	5,000 to Cione - Cione	469.2 402.7 496.7 496.7 516.2 518.0 523.5 529.5 549.8 559.0 559.0 560.3 560.8	492.5 495.0 0 High/L 520.0 827.0 0 596.0 566.0 575.0	615.0 519.5 519.5 641.5 0 553.0 553.0 553.0	Jul Cot Jan May Jul Cot Cot Dec Near Cot	Close 11.81 11.80 11.10 11.10 11.20 11.20 11.22 DR 50,000 G0.80 60.80 60.80 67.80	Previous 11.57 11.45 10.97 11.25 11.25 11.25 11.25 10.93 10.93 10.93 60.95 60.41 67.40 65.60	High/Lot 11.82 0 11.82 0 11.41 11.56 11.45 11.42 High/Lot 66.95 93.61 69.40 67.80	11.48 11.58 0 11,17 11.13 11.16 11.22 66.40 66.45 66.45 67.70	Jun Aug Sep Oct Dec Feb Jun Jul Aug Oct Dec Feb	70.22 69.55 71.90 71.90 71.90 71.90 60.83 60.80 60.83 60.80	000 Re; cert Prévious 68.62 68.05 68.80 71.42 71.42 71.45 71.90 00 Ib; certu/ii Previous 47.80 47.80 45.22 41.57 44.30	Hight.ow 70.46 69.45 70.30 72.02 72.36 72.22 71.30 bs Hight.ow 46.25 47.50 45.40 44.40	61.50 61.50 71.50 71.70 71.70 71.70 47.60 45.60 45.60 41.70 41.70
WER I	5,000 to 5,000 to 5,000 to 520.2 \$23.0 \$27.5 \$44.2 \$44.2 \$47.6 \$55.7 \$663.8 \$572.1 \$80.4	469.2 402.7 496.7 496.7 516.2 518.0 523.5 529.5 549.8 559.0 559.0 560.3 560.8	492.5 495.0 0 High/L 520.0 827.0 0 596.0 566.0 575.0	615.0 519.5 519.5 641.5 0 553.0 553.0 553.0	Jul Cot Jan May Jul Cot Cot Dec Near Cot	Close 11.81 11.80 11.10 11.10 11.20 11.20 11.22 DR 50,000 G0.80 60.80 60.80 67.80	Previous 11.57 11.45 10.97 11.25 11.25 11.25 11.25 10.93 10.93 10.93 60.95 60.41 67.40 65.60	High/Los 11.82 11.82 0 11.41 11.36 11.38 11.22 High/Los 66.95 96.90 96.40	11.48 11.58 0 11,17 11.13 11.16 11.22 66.40 66.45 66.45 67.70	Jun Aug Sep Oct Dec Fib Jun LIVE H Jun Jun Aug Oct Dec Feb Apr	70.22 60.50 71.62 71.50 71.50 72.00 71.50 GGS 50.00 GGS 50.00 45.70 45.70 45.70 45.70	000 lbs; cent Prévious 68.82 68.05 71.42 71.72 71.95 71.90 00 lb; centarii Previous 47.80 47.80 47.80 47.80 47.80 48.50	HightLaw 70.46 69.46 70.30 72.02 72.06 72.22 71.30 bs HightLaw 40.25 47.80 48.20	60.60 71.32 71.60 71.72 71.70 47.60 45.70 45.70 45.70 45.70
WER I	5,000 to 5,000 to 5,000 to 520.2 \$23.0 \$27.5 \$44.2 \$44.2 \$47.6 \$55.7 \$63.8 \$572.1 \$60.4	469.2 482.7 496.7 496.7 7999fou 516.0 523.5 520.1 549.8 550.3 560.3 560.3 577.3	492.5 496.0 0 1 Highton 227.0 0 See.0 0 See.0 566.0 575.0 581.0	618.0 519.5 0 228.5 641.5 0 553.0 562.0 563.0 660.0	Jul Cot Jan May Jul Cot Cot Dec Near Cot	Close 11.81 11.80 11.10 11.10 11.20 11.20 11.22 DR 50,000 G0.80 60.80 60.80 67.80	Previous 11.57 11.45 10.97 11.25 11.25 11.25 11.25 10.93 10.93 10.93 60.95 60.41 67.40 65.60	High/Lor 11.82 11.82 11.41 11.95 11.45 11.22 High/Lor 65.05 65.05 65.40 67.60 67.60 67.60 67.60 67.60 67.60 67.60	71.48 11.93 0 11.17 11.13 11.16 11.22 95.40 95.45 65.45 67.70 66.65	Jun Aug Sep Oct Dec Feb Jun LIVE H Jun Jul Aug Oct Dec Feb Apr Jun	70.22 69.55 71.62 71.62 71.90 72.00 71.50 Gloss 30,00 48.20 47.42 45.70 44.57 45.92 45.70 47.40	000 Re; cert Prévious 68.62 68.60 71.42 71.72 71.95 71.90 00 Ib; certa/fi Previous 47.80 47.80 45.22 41.57 44.30 45.90 47.25	HightLaw 70.46 69.45 70.30 72.02 72.36 72.22 71.30 bs HightLaw 46.23 45.40 45.40 45.70	60.60 60.60 71.50 71.50 71.50 71.50 71.70 47.60 45.10 41.72 45.10 45.70 45.70 45.70 45.70 45.70 45.70
WER I	5,000 to 5,000 to 5,000 to 520.2 \$23.0 \$27.5 \$44.2 \$44.2 \$47.6 \$55.7 \$63.8 \$572.1 \$60.4	469.2 486.7 496.7 496.7 496.7 510.0 510.0 528.5 528.1 549.8 557.3 560.3 560.3 577.3	492.5 496.0 0 1 High L 227.0 250.0 560.0 560.0 560.0 561.0	618.0 519.5 0 828.5 641.5 0 553.0 582.0 583.0 680.0	Jul Oot Jan May Jul Oot Dec Mar Oct	Close 11.81 11.80 11.12 11.40 11.39 11.22 11.22 DR 50,000 Close 90.50 98.41 69.40 67.60 67.60 Close Close Close Close Close Close Close Close Close	Previous 11.57 11.65 11.29 11.29 11.29 11.29 11.18 10.93 00nts/fbs Previous 64.95 65.90 65.41 67.60 ibe Previous	High/Lor 11.82 11.82 11.41 11.95 11.45 11.22 High/Lor 65.95 65.90 68.41 69.40 67.90 17.90 18.40	71.48 11.93 0 11.17 11.13 11.16 11.22 95.40 95.45 65.45 67.70 96.65	Jun Aug Sep Oct Dec Feb Jun LIVE H Jun Jul Aug Oct Dec Feb Apr Jun	70.22 69.55 71.62 71.62 71.90 72.00 71.50 Gloss 30,00 48.20 47.42 45.70 44.57 45.92 45.70 47.40	000 Re; cert Prévious 68.62 68.60 71.42 71.72 71.95 71.90 00 Ib; certa/fi Previous 47.80 47.80 45.22 41.57 44.30 45.90 47.25	HightLaw 70.46 69.45 70.30 72.02 72.36 72.22 71.30 bs HightLaw 46.23 45.40 45.40 45.70	60.60 71.32 71.60 71.72 71.70 47.60 45.70 45.70 45.70 45.70
WER I	5,000 to 5,000 to 5,000 to 520.2 \$23.0 \$27.5 \$44.2 \$44.2 \$47.6 \$55.7 \$63.8 \$572.1 \$60.4	469.2 486.7 496.7 496.7 7979/ou 516.2 519.0 528.5 528.1 549.3 549.8 550.3 560.8 577.3	492.5 496.0 0 1 High L 227.0 250.0 560.0 560.0 560.0 561.0	618.0 519.5 0 228.5 641.5 0 553.0 562.0 563.0 660.0	Jul Oct Dec Mer Oct Oracin Jul	Close 11.81 11.80 11.10 11.10 11.10 11.10 11.29 11.29 11.29 Close 66.95 68.41 69.40 67.80 Close 173.20	Previous 11.57 11.65 10.97 11.29 11.29 11.28 11.18 10.93 10.93 00nts/fba Previous 64.95 66.90 15,000 lbe Previous 177.16	High/Los 11.82 0 11.82 0 11.41 11.56 11.45 11.42 High/Los 60.95 93.61 60.40 67.80 High/Los High/Los High/Los High/Los	71.48 11.59 0 11.17 11.13 11.16 11.22 65.40 66.45 67.70 66.65	Jun Aug Sep Oct Dec Feb Jun LIVE H Jun Jul Aug Oct Dec Feb Apr Jun	70.22 69.55 71.82 71.90 71.90 71.90 71.90 72.00 71.90 60.65 60.60	0000 lbs; cent Prévious 68.82 68.05 68.80 71.42 71.72 71.95 71.90 00 lb; centarii Previous 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80 47.80	HightLaw 70.46 69.46 70.30 72.02 72.36 12.22 71.30 bs HightLaw 48.25 47.80 46.20 44.40 48.16 48.70 47.40	60.60 60.60 71.50 71.50 71.50 71.50 71.70 47.60 45.10 41.72 45.10 45.70 45.70 45.70 45.70 45.70 45.70
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CVER I	5,000 to Close 520.2 523.0 522.1 544.2 547.2 1 580.4 588 FRS (Be 1985.6 Be 1985.6 FRS (Be 1985.6 Be 1985.6	489.2 498.7 498.7 498.7 498.7 516.2 879.0 823.5 528.1 549.8 557.3 560.8 877.3	492.5 496.0 0 1 HighTu 520.0 527.0 568.0 575.0 581.0 1 HighTu 585.0 585.0 575.0 581.0	618.0 519.5 618.5 641.5 651.0 552.0 552.0 552.0 560.0	Jul Cot Jen Mer May Jul Cot Det ORAN	Close 11.81 11.80 11.10 11.10 11.10 11.10 11.29 11.29 11.29 Close 66.95 68.41 69.40 67.80 Close 173.20	Previous 11.57 11.65 10.97 11.29 11.29 11.29 11.29 11.28 10.93 00nts/fbs Previous 64.95 66.30 66.41 57.40 85.80 15,000 lbe Previous 177.16 105.25 155.00	High/Lor 11.82 0 11.41 11.56 11.45 11.22 High/Lor 65.95 95.90 95.41 69.40 67.50 100.40 175.80 195.05 164.25	71.48 11.53 0 11.17 11.13 11.15 11.22 65.40 66.45 65.45 67.70 68.85	Jun Aug Sep Occ Feb Jun Jun Jul Aug Occ Aug Aug Occ Feb Apr Jun	Glose 70.22 69.05 60.00 71.92 71.90 72.00 71.90 72.00 60.00	0000 Res; cert Prévious 68.62 68.60 68.80 71.42 71.72 71.95 71.90 00 Re; certa/li Previous 47.80 47.80 47.20 45.90 45.90 45.90 47.25 0.000 the; ce	HightLaw 70.46 69.46 70.30 72.02 72.26 72.26 72.30 bs HightLaw 40.25 47.80 44.40 42.20 44.40 47.40 HightLaw HightLaw HightLaw	64.55 65.55 71.52 71.76 71.76 45.16 45.17
CVER I	5,000 to Close 520.2 523.0 522.1 544.2 547.2 1 580.4 588 FRS (Be 1985.6 Be 1985.6 FRS (Be 1985.6 Be 1985.6	489.2 498.7 498.7 498.7 498.7 516.2 879.0 823.5 528.1 549.8 557.3 560.8 877.3	492.5 496.0 0 1 High L 527.0 227.0 250.0 560.0 560.0 575.0 581.0	618.0 519.5 0 228.5 641.5 0 559.0 559.0 660.0 31 = 1007 96 yr 480 1600.1	Jul Oot Jen Mer May Jul Oot Dec Mer Oct ORAN	Close 11.81 11.80 11.10 11.10 11.10 11.20 11.20 11.22 DR 50,000 Close 90.50 96.41 99.40 67.50 Close 173.85 163.70 150.25 148.46	Previous 11.57 11.65 11.25 11.25 11.25 11.25 11.25 10.93 00nts/fba Previous 64.95 65.30 65.41 87.40 86.80 15,000 Re Previous 177.16 160.35	High/Los 11.82 0 11.82 0 11.41 11.85 11.45	71.48 11.59 0 11,17 11.13 11.16 11.22 65.40 66.45 67.70 66.85	Jun Aug Sep Occ Feb Jun Jun Jul Aug Occ Aug Aug Occ Feb Apr Jun	Gloss 70,22 69,05 71,92 71,92 71,92 72,00 72,00 42,00 44,57 44,57 44,57 47,40 53,34 2 33,42	0000 Ris; cert Prévious 68.82 68.05 68.80 71.42 71.72 71.95 71.95 71.90 00 Br; certa/8 47.80 47.80 47.80 47.80 47.80 47.90 48.90	HightLaw 70.46 69.46 70.30 72.02 72.36 12.22 71.30 bs HightLaw 48.25 47.80 46.20 44.40 48.16 48.70 47.40	60.82 60.83 71.52 71.72 71.72 71.72 71.70 41.83 45.70 41.72 43.75 43.70 47.15
VER I	5,000 to Close 520.2 523.0 522.1 544.2 547.2 1 580.4 588 FRS (Be 1985.6 Be 1985.6 FRS (Be 1985.6 Be 1985.6	489.2 498.7 498.7 498.7 498.7 519.0 528.5 528.1 549.3	492.5 490.0 9 High/Lo 520.0 640.0 550.0 550.0 551.0 mint a 2011.4 130.35	615.0 519.5 519.5 0 828.5 541.5 0 553.0 553.0 553.0 560.0 31 = 100) 99.0 180.1 100)	Jul Oot Jul GOTTE GOTTE GRAN	Close 11.81 11.80 11.10 11.10 11.10 11.10 11.12 11.29 11.29 11.22 Close 69.56 69.50 69.50 67.60 173.50 163.55 163.55 163.55 146.46	Previous 11.57 11.45 10.97 11.29 11.29 11.29 11.18 10.93 10.	High/Lor 11.82 0 11.41 11.56 11.45 11.22 High/Lor 65.95 95.90 95.41 69.40 67.50 100.40 175.80 195.05 164.25	11.48 11.53 0 11,17 11.13 11.15 11.22 65.40 65.45 65.45 67.70 66.65 189.25 189.25 148.10 161.35 148.10	Jun Aug Sep Oct Feb Jun Jul Aug Oct Apr Jun Ponk I	Gloss 70.22 (\$0.50) (\$0.50) (\$0.50) (\$1.90) (\$71.90) (\$72.00) (\$72.00) (\$72.00) (\$0.60	0000 lbs; cent Prévious 68.82 68.05 68.80 71.42 71.72 71.95 71.90 00 lb; centarii Previous 47.80 47.20 45.22 41.57 44.30 45.50 47.25 10.000 lbs; centarii 71.90 47.25 10.000 lbs; centarii 83.50 47.25	Highri.sw 70.46 69.45 70.30 72.02 72.36 72.20 71.30 Highri.ow 48.25 47.50 46.50 48.18 43.70 47.40 Highri.ow 38.70	47.60 47.60
WERL	194.8 195.8 196.8 196.8 196.0	489.2 498.7 498.7 498.7 516.2 519.0 533.5 549.5 552.0 550.3 560.3 577.3 580.6 577.3 580.6 577.3	492.5 490.0 9 High/Lo 827.0 0 890.0 850.0 850.0 850.0 851.0 10 114.4 1 138.95	618.0 519.5 0 228.5 641.5 0 559.0 559.0 660.0 31 = 1007 96 yr 480 1600.1	Jul Oot Jen Mer May Jul Oot Dec Mer Oct ORAN	Close 11.81 11.80 11.10 11.10 11.10 11.20 11.20 11.22 DR 50,000 Close 90.50 96.41 99.40 67.50 Close 173.85 163.70 150.25 148.46	Previous 11.57 11.65 11.25 11.25 11.25 11.25 11.25 11.25 10.93 00nts/fbs Previous 64.95 65.90 65.40 65.40 15,000 lbs Previous 177.16 166.25 155.00 162.18 160.25	High/Lor 11.82 11.82 11.41 11.35 11.45 11.45 11.22 High/Lor 60.55 65.30 60.41 69.40 67.90 175.85 161.25 151.25 151.25	71.48 11.59 0 11,17 11.13 11.16 11.22 65.40 66.45 67.70 66.85	Jun Aug Sep Occ Feb Jun Jun Jul Aug Occ Aug Aug Occ Feb Apr Jun	Gloss 70,22 69,05 71,92 71,92 71,92 72,00 72,00 42,00 44,57 44,57 44,57 47,40 53,34 2 33,42	0000 Ris; cert Prévious 68.82 68.05 68.80 71.42 71.72 71.95 71.95 71.90 00 Br; certa/8 47.80 47.80 47.80 47.80 47.80 47.90 48.90	HightLow 70.46 69.45 70.30 72.02 72.36 72.22 71.30 bs HightLow 46.23 45.70 45.70 45.70 45.70 45.70 45.70	60.82 60.83 71.52 71.72 71.72 71.72 71.70 41.83 45.70 41.72 43.75 43.70 47.15

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LONDON STOCK EXCHANGE

Equities steady in sluggish turnover

A HOST of potentially unsettling factors failed yesterday to upset a UK equity market still taking heart from the evident unwillingness of big institutions to part with stock. Turnovar was meagre, but market indices were sustained by gains in a handful of blue chips, where British Petroleum and British Telecom stood out well. Sentiment was also helped by speculation sur-rounding bid prospects among food shares.

)rds

The broader market had an arratic session. It opened firmly after a strong US cur-rency boosted the dollar-earning stocks. However, early gains were trimmed whan

Account	t Dealing	Dates
"First Dealings: Jun 8	Jan 18	Jul 8
Option Declarati Jun 15	Jun 29	Jul 13
Last Donitings: Jun 16	Jun 30	Jul 14
Account Days Jun 26	Jul 10	Jul 24
How time deals 9.00 cm two but	ige may tek	piace from order

three month money rates in London moved above 14 per per cent in May retail sales in the UK was reported. Share prices then crumbled away, and the initial gain of 7.8 per cent on the Footsis was replaced with a mid-session loss of more than ten points.

Then a rally set in.
The final hour of trading saw the London market continuing to rally despite a sharp dip in the pound against the and a weak opening on Wall Street. By the close, the loss on the FT-SE Index had been cut to 3.8 for a final readmg of 2,138.3. Sezo volume was distinctly

unexciting at 381.1m shares. igainst 529m on Friday. A trading programme worth around £74m was operated just before midday by a US securities house, with the bias appearing slightly towards the buy side. Some surprise was expressed at yesterday's resilience by equities ahead of a week with a potential hazards. In addition to the unfavourable trends in sterling and UK money rates, market strategists were concerned by the renewed hints of disagreements on economic policy within the Government and by its prospects in Thursreceived. day's European Parliament

UK inflation trends remain the chief worry, and London markets are braced for Friday's disclosure of the latest UK inflation number, analysts are resigned to a rise of 8.3 to 8.5 per cent in the annualised inflation rate in May. The adverse effects of yesterday's news of a large rise in

domestic retail sales was tempered by a UK Treasury statement that the data was in line with its projections of a slowdown in consumer spending this year, whila the 4.9 per cent annnal gain in UK output prices was comfortably

A significantly helpful factor was a slight lifting of the clouds hanging over the US trade figures for April, due on Thursday. London sources have been predicting a narrow ing in the US monthly deficit to around \$9.5bn bnt there were reports yesterday that some analysts in Japan are predicting a much lower fig-

FINANCIAL TIMES STOCK INDICES Since Compliation High 84.59 59.29 127.4 49.18 84.43 54.50 84.96 (3/1/75 1775.7 1773.0 1758.2 1753.0 1637.5 (19/5) Ordinary 1770.4 154 7 (17/2) 734.7 43.5 (15/2/83) (26/10/71) Ord. Di. Yield Earning Yid %(full) P/E Ratio(Net)(ŵ) S.E. ACTIVITY 11.03 10.98 24,670 P/E Ratio(Net)(½) SEAO Bargains(5pm) Equity Turnover(£m)† Equity Bargains† Shares Traded (mi)† 100.6 GRt Edged Sargains 97.3 Equity Bargains Equity Value 28,935 3821 5 5-Day average Opening 010 am 011 am 012 pm 01 pm 02 pm 03 pm - 04 pm ba 1769.4 1772.3 1765.0 1768.6 1769.4 1769.1 1767.5 191.0 194.1 29123 DAY'S HIGH 1779.3 DAY'S LOW 1763.4

Dividend factor boosts BP

In a generally unhappy equity sector British Petroleum (BP) was outstanding and in strong sopport closed a net 4 higher at 295%p; turnover at 10m shares was at its highest level for many weeks.
The firm showing came as

something of a surprise to many traders, in view of ye terday's slide in crude oil prices and the overall uncertainties in the equity market. An announcement that Union Carbide of the US intends to purchase BP Chemical's silicone surfactant businesses was put forward as one reason for the buying of BP stock but the deal was generally regarded as relatively

There was evidence of good overseas buying interest in the shares, a view supported by a number of energy sector analysts. Mr Simon Elliston, oil analyst at Citicorp Scrimgeour Vickers, pointed out that the recent performance of sterling against the dollar was the key to the BP share price."If sterling falls to \$1.48 against the dollar then BP would have to increase their dividend to 15p, against the previous figure of 5p, to maintain its value to

"Given that BP only recently decided to pay quarterly divi-dends to try to expand its US shareholder base, it seems unlikely they would let the dollar dividend declina,

Unigate surprise Although Unigate topped. most City forecasts with a 6 per cent rise in full-year profits to £100.5m, shares in the dairy group eased back with the market to close 3 lighter at 381p as a number of specula-tive investors took profits. Some arbitrageurs had been boping that a poor set of fig-ures would have flushed out a full offer for Unigate, possibly from Mr Larry Goodman, the Irish entrepreneur, holder of an 8.8 per cent, said dealers. In the words of one analyst, the unexpectedly good results
"will have disappointed the
vultures." This feeling was
later reinforced by the realisation that Mr Goodman had not bought the near 3 per cent holding said to have been sold recently by another Irish stake-holder, Avonmore Creameries.

On fundamentals the market was pleased with the perfor-mance of most of Unigate's varied divisions. "We knew that the poultry business was having a tough time," said Mr

Richard Allen of Kleinwort Benson, but this was more than compensated for by useful progress in other areas such as the US operations and the UK fresh foods business. Along with other brokers.

Kleinwort has raised its fore-cast for this year's profits, by 23m to £112m. This compares with BZW's new figure of £113m and Kitcat & Aitken's £112m. Hoare Govett is stick ing with its sstimate of £115.5m.

Gateway top bid

Speculation that a leading broker was bidding 215p cash for Gateway stock helped shares in the food retailer climb 5 to 215%p as the market pondered recent reports that a third party was preparing to launch its own bid to top the current offer of 210p a share from Isosceles. It has been widely suggested that Tengle-mann, a West German retail group, is considering making its own offer for Gateway via its US subsidiary A&P.

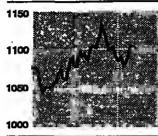
Yesterday's buyer was said to have been UBS Phillips & Drew, whose US arm UBS Securities acquired 12m Gateway shares last week for an American client, but UBS in London would not say whether it had been picking up further "The fact that someone has

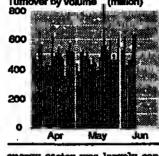
been willing to pay above the 210p offered by Isosceles suggests that there are people who believe a white knight will appear, said one follower of the stock. But with the deadline on the 210p offer of June 22 looming, this analyst believed it was still "odds on" thought to control 23 per cent of Gateway, will succeed.

Dollar strength underpinned the prices of ICI (up 8 at 1258p) and Glaxo (up 7 1352). Mr. James Culverwell, analyst at Hoare Govett, explained that "Glaxo locks into exchange rates on June 30 for the purposes of calculating results - last year it worked on a \$1.70 exchange rate. So Glaxo profits should comfortably pass the film for the current year, if the rate is around \$1.53 this

BP apart, activity in the

FT-A All-Share Index



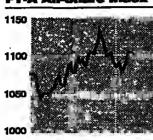


energy sector was largely con-fined to British Gas where turnover was given a big boost by a single deal of 2.7m shares during the programme trade; Gas shares closed unaltered on

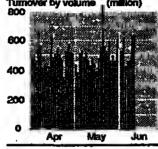
halance at 184½p.

Merchant banks were hit by SG Warburg lost 9 to 313p ahead of preliminary figures expected today; UBS Phillips & Drew is going for pre-tax profits of £90m, 19 per cent down on last year's £111.9m. P & D says the figures "should reveal in the last quarter of 1988.

The electronics sector mainlevels of activity. British Tele-com extended last week's good in the market that the comered selling off some of its stake in Cellnet, the cellular radio company where it has a 60 per-cent stake. The other 40



Equity Shares Traded



persistent selling from one of the top UK securities houses. deterioration in securities profits with the activity in the tially offsetting losses incurred

tained its recent record of high gains with the momentum said to have been generated yesterday by further switching from Cable & Wireless and the Racal twins. There was also a story pany could well have considper cent is held by the Securi-

"NEW HIGHS AND LOWS FOR 1989

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ROURISTRIALS (19) Amer., Barlo, Dolphin, Rounders, Mill.

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cor group of companies. "I wouldn't put it past BT to come up with something like that," said one electronics spe-cialist who added "BT could certainly do with a Racal Tele-com-type rating." BT shares closed around the day's best, settling a net 6 higher at 283 /p. Turnover was 12m, well

up on the recent high level of activity in the stock.

Racal Electronics ran into a bout of profit-taking ahead of today's preliminary results for which the market's range of forecasts goes from £175m to around £185m. Hoare Govett are forecasting £178m, Klein-wort Benson £179m and UBS Phillips and Drew £180m. Mr John Tysoe, electronics analyst earson Lehman and a long-time advocate of the Racal companies, goes for £175m and expects the group to announce the fully-sponsored ADR facil-ity long expected by the mar-ket. Racal Telecom, also reporting today, are expected

reveal profits in the region 235p, a net rise of 3. Cable & Wireless shares were slightly firmer at 475p, on turnover of 2.5m, helped by the more reassuring performance by the Hongkong stock market, but dealers repeated their warning that the shares could well be in for a rough ride; C&W is scheduled to announce full-year figures tomorrow with Mr Richard Ryder, telecommunications analyst at Salomon Brothers forecasting pre-tax profits of £408m against last time's

> The weeksnd's unofficial at 579p. The stock firmed last week on bopes that a court

Ferranti featured prominently in the programme trade triggered around midday with a mark of 2.5m shares going through the Seaq ticker and boosting overall turnover to 4.5m shares; at the close Fer ranti were 3 down at 95p, after

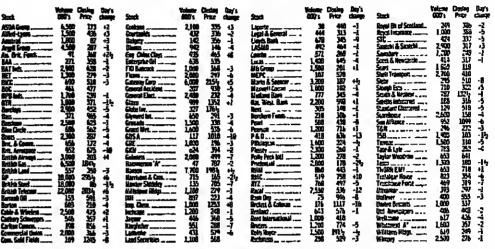
British Steel slipped 2 to 86p as 18m shares changed hands ahead of final results on Thursday. It was also the most active stock on the traded options market with 6472 contracts agreed – only 10 of them puts. A story that the British Army was about to order £1bn of aircraft from McDon-nell-Douglas of the US, and that part of it would be built by Westland, helped the latter's shares add 5 at 134p, and

the Warrant jump 4 to 56p.
Normally sedate specialist chemical company, Cookson, sprang 10 ahead, helped by a stock shortage, as UK analysts began a tour of the company's operations in the northeastern USA. The stock settled back to

US bargain hunters chased English China Clays, which climbed 8 to 465p, after 469p. The stock had fallen 78 in 5 weeks, after disappointing interim figures, and the com-pany launched a programme of presentations to investors and analysts, "ECC is at more than an 11 per cent discount to the market," said Mr Tony Pennie, analyst at James Capel. "The prospective yield is about 5% per cent and the assets could be about double the share

strikes hit AB Ports, down 10 decision had headed off stop-

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ANII 10.89 fExcluding



TRADING VOLUME IN MAJOR STOCKS

pages. USM-quoted Marina Development put on 13 at 460p after announcing a 250 per cent jump in full-year profits.

Asda beld up well in a weak Foods sector, the supermarket group's adding 2 at 173p on turnover of 6.5m shares. The market is still hoping for some corporate activity soon, per-haps a bid from Canadian shareholders the Belzberg fam-ily, Sentiment was further boosted by hopes that a third party will trump the Isosceles bid for Gateway, a move that would scupper the much criticised plan whereby Asda buys 62 Gateway superstores from Isosceles should it takeovar

Seatchi and Seatchi firmed 3 to 317p ahead of interims out

comorrow. Trade was busy in both directions as 2.9m shares changed hands. One dealer said that a press report on the possible sale of its management consultancy division had generated buying interest.

A 34 per cent rise in full year profits from EMAP failed to flush out buyers and the price eased 2 to 242p. "They are on a 30 per cent premium to Reed and are a little expensive," explained Ms Bronwen Maddox, media analyst at Kleinwort Benson. EMAP is likely to suffer from a downturn in advertising revenue, especially on the property side in regional newspapers, she said. increasing competition for acquisitions and expansion is

increasing costs, she added. Ms Maddox edged up her forecast

FINANCIAL TIMES INTERNATIONAL CONFERENCES

for the current year from £35 %m to £36m-£37m.

The lone feature among quietly resilient property stocks was the performance of Imry 483p, "There has been a lot of talk receotly about a bid, and there have been suggestions that the company might be receptive to the right offer, said a dealer.

Dealings in British Steel, Racal Electronic, BP and the FT-SE 100 Index sparked traded options into a fair amount of life.

Other market statistics, including FT-Actuaries Traded Options, Page 31

SUMMER/AUTUMN 1989 CALENDAR

World Gold

26 & 27 June - Lugano

International Publishing in the 90s

26 & 27 June - London

Financial Times/ **Price Waterhouse** Capital Markets Workshops

26, 27 & 28 June; 16, 17 & 18 October; 15, 16 & 17 November and 4, 5 & 6 December - London

The Outlook for **European Petrochemicals** 3 & 4 July - London

Telecommunications and the European **Business Market** 10 & 11 July - London

World Motor

13 & 14 September – Frankfurt

Retail Financial Services 2 & 3 October - London

Europe and the Nordic

Countries 9 & 10 October - Stockholm

FT-City Course 9 October - 27 November - London

World Mobile Communications in the 90s

11 & 12 October - London

Re-Regulating Europe's Financial Sector 16 & 17 October - London

Business with Spain 6 & 7 November - Madrid

World Shipping in the 90s 14 & 15 November - Amsterdam

World Electricity

16 & 17 November - London

☐ Europe and the Northe Countries

■ World Gold International Publishing in the 90s Financial Times/ Price Waterhouse Capital Markets Workshops

☐ The Outlook for

Telecommunicatio and the European Business Market ■ World Motor Retail Financial

☐ FT-Cky Course World Mobile

in the 98s Re-Regulating
Europe's
Financial Sector

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APPOINTMENTS

Simon **Engineering** sub-groups

Mr Allan Holder has been appointed managing director of the new paper engineering sub-group of SIMON ENGINEERING, formed following the acquisition of the Holder Pamac companies of which he was a founder. Dr John Wild joins Holder Pamac as managing director. He was with the Jefferson Smurfit Group. Mr Brian Horner has been appointed finance director of the equipment sub-group. He was finance director and company secretary of Rockwell International Automotive Components (UK). The sub-group comprises companies making specialised plant, including container machinery, solids handling equipment, power train components, sewage and effluent treatment machinery, and filtration systems.

■ Mr Peter G. Bedwin bas been appointed director, business development for the UK, with ITT DEFENSE. He joins from Plessey Electronic Systems, where he was business development executive. IFT Defense is based at Arlington, Virginia, US.

■ CITICORP has appointed Mr Paul Cohen as UK country business manager. This centres



RHM grocery division has appointed Mr Jeremey Preston (centre) as managing director of the breakfast cereal business, a new post. He will be respossible for The Shredded Wheat Company, Viota and A.C. Fincken. Mr Preston moves from RHM foods, where he was commercial director, Bisto Group. He will be succeeded by Ms Judy Atchison (left) who moves from the soft drinks group, where she will be succeeded as commercial director by Ms Rlaine Underwood (right) who is promoted from business development controller.

around the three core businesses of Citibank Savings which includes Citibank Mortgage, Diners Cinb and Citicorp British National. Succeeding Mr Robert Selander, Mr Cohen was managing director of Citibank Savings where he is succeeded by Mr Jack Davies who was marketing and strategic planning director of the consumer services division for Europe, the Middle East and Africa.

m Mr Ian Currie has been appointed a director of CHARLTON SEAL SCHAVERIEN, stockbrokers. Based in Manchester, he will be director-in-charge of the corporate finance department.

Mr Gareth Davies, chairman and group chief executive, Glynwed international; Mr Francis Graves, chairman, Francis C. Graves and Partners; Dr Janet Morgan, writer on constitutional affairs; and Mr John Neill, group chief executive, Unipart Group, have been appointed non-executive directors designate of the proposed privatised MIDLANDS ELECTRICITY.

■ S.G. WARBURG GROUP is to establish a subsidiary in Spain - S.G. Warburg España. Mr Alejandro Albert, adviser

to the group in Spain, will become chairman of the new company. Mr Pedro A. Gómez-Baeza, who has been appointed a director of S.G. Warburg & Co., will become vice chairman and managing director of the new company. He was an executive director of Credit Suisse First Boston and a partner of CS First Boston in New York.

Naws of the larger than

expected rise in May retail sales failed to boost flagging

ways a double-edged sword; in

this case the 2.5 per cent rise

was good news for the sector but overall bad news for the

market," said one sanguine marketmaker. Ward White held steady at 312p on press reports that US abitrageur Mr

Storehouse, where Mr Edelman has said he will use his 8 per cent holding to make a formal offer at 1250 a hard a formal of the formal of the

mal offer at 1850-a share, fell to 158p on the feeling that the

to 158p on the feeling that the American arbitrageur may be unable to put together a full bid; "a lot of people think its a spoof," said one trader. Second liner Wilding Office Equipment slumped 20 to 180p after broking house County NatWest

WoodMac lowered its profits

WoodMac lowered its profits forecast for this year to £3.8m. Brewery group Allied Lyons bucked the trend with a rise of 3 to £48p; "there was one large buyer of 200,000 shares, it's a good defensive stock, there have been recent switches into Allied from Bass, and the Japanese like them," explained one trader.

trader.
Alkla soared 80 to 355p, after

365p in the wake of the recom-mended £44m bid from Scott &

near 3 per cent stake.

SEDGWICK FINANCIAL SERVICES benefits consulting division has appointed Mr Stephen Jacobson as an associate director and a senior actuary in London.

■ NSM has appointed Mr Ben Broadhead as joint managing director of its UK mining subsidiary, Coal Contractors, from October. He is an area director of Tarmac Roadstone.

■ Mr Roy Doughty has been appointed group marketing director of the PRESTIGE GROUP. He joins from Duracell UK where he was general manager. Mr Ronald M. Griffin, group controller of financial planning

at Rolls-Royce, has been

elected president of the

CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS. ■ Mr Tim Lloyd-Williams has become executive chairman of GRE PERSONAL FINANCIAL MANAGEMENT,

GRE's direct sales arm. He will

continue as GRE's life general manager.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Loss of confidence hits sterling

Sterling fell to its lowest level since February 1987 against the dollar, closing at

\$1.5255 from \$1.5550 on Friday.

The break below DM3.10 to a close of DM3.0900, took the

pound to its worst level since

currency markets yesterday, breaking through support at DM3.10 against the D-Mark. Investors continued to show their lack of confidence in the pound in the face of a very strong dollar and concern about the apparent rift between Mrs Margaret Thatcher, the Prime Minister and Mr Nigel Lawson, Chancellor of the Exchequer, on eco-

nomic policy. The pound opened on a weak note against the dollar but managed to hold steady against the D-Mark However, a sharp rise in May UK retail sales of 2.5 per cent compared with market expectations of a 0.7 per cent rise was seen as a further blow to the Government's attempt to control con-

sumer spending The rise may have been exaggerated by the very warm weather experienced in May, weather experienced in May, but investors were in no mood to give sterling the benefit of the doubt, and its exchange rate index fell sharply at the close to 91,2, down from 91.8 at the start and 92.0 on Friday.

A 0.3 per cent rise in May

producer output prices giving a year-on-year rise of 4.9 per cent was a little better than expected, but failed to provide any support.

	IN	NEW	YORK
lane.12	T	Latest	Previous Close

		Close	
E Spot 1 month 3 months 12 months	1.5315-1.5325 0.54-0.53pm 1.86-1.84pm 7.00-6.90pm	1.5470-1.5950 0.55-0.54pm 1.80-1.78pm 6.78-6.72pm	
Forward pressions and discounts apply to the US dollar STERLING INDEX			
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	June 12	Previous
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CURRENCY RATES			
June 12	Bank tade %	Special* Drawing Rights	Currency Unit
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CURRENCY	CURRENCY MOVEMENTS		
Jan. 12	Bank of England Index	Morgan** Guaranty Changes %	
Sterling U.S. Dollar Counding Dollar Asstrian Schilling Belgham Franc Danish Krone Danish Krone Danish Krone Coulder French Franc Lira	91.2 73.9 104.1 106.2 105.2 102.5 111.9 106.0 109.8 98.6 136.3	-180 +0.2 +0.4 +1.6 +15.5 +15.5 -18.9 +67.7	

171	. 1	107.
Morgae Guaras 1982 - 100, Besk o 1985 - 1008 **Rates a	ty changes: ! England lade re forJune.9 .	sperage 1 t (Base Au
OTHER CI	JRRENC	HES

Argentina 278.35 . 281.65 . 192.00 . 189.00 . Australia 1,749 . 1,7639 . 1,5615 . 1,3525 . 1,3	June 12	£	\$
	Australia Bracki Finland Greece Rang Kong Kan KoreaSkib Kuwaik Lucenblan Medico M. Zealand Sanki Ar. Slogapure S. Al (Po) Talwai	2,645-2,0670 1,744-1,7839 6,9763-6,9130 284,75-2,9430 11,975-11,9250 11,975-11,9250 11,975-1031,35 0,4574-0,4850 4,75-64,80 4,1555-4,1640 3,093,00-3,984,75 2,7400-2,7450 3,0035-3,0036 4,3270-4,3375 6,3015-6,4345 3,930-40,00	1.5615 - 1.3625 1.1600 - 1.1650 4.5130 - 4.5160 173.20 - 1.76.00 7.7800 - 7.7910 663.90 - 669.30 0.2923 - 0.2923 42.40 - 42.50 2.475.00 - 2.7220 2.475.00 - 2.7220 2.475.00 - 2.7220 1.7920 - 1.7950 1.9620 - 1.9640 2.6316 - 2.8325 4.1225 - 4.2105 2.610 - 2.615 3.6720 - 3.6730

MONEY MARKETS

Pressure increases

Yes per 1,000: French Fr. per 10: Line per 1,000: Beiglas Fr. per 100.

the banking system through

the banking system through three-day matched sale and repurchase agreements, when Federal funds were trading at 9% per cent. This was in line with market expectations. In Frankfurt call money rose

to trade around the Bundes-to trade around the Bundes-bank's 6.50 per cent Lombard emergency funding rate. The strength of the dollar, as specu-lation about lower US interest rates has faded after last Fri-day's higher than forecast US

day's higher than forecast US May producer prices, led to increased borrowing on the money market. West German banks were prepared to pay above the Lombard rate in places on fears that domestic interest rates could be forced higher by the firm dollar.

The Bundesbank council

meets on Thursday. Dealers do

not believe a move on rates is likely this week, but do not rule oot a tightening of credit

higher by the firm dollar.

policy in the near future. Liquidity is expected to remain tight this week, as

PRESSURE INCREASED on wholesale interest rates in London yesterday. The denial by Mr Nigel Lawson, the Chancellor, of a rift between himself and Mrs Margaret Thatcher, authorities did not operate in the market.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £544m. This factor was offset by Exchequer transactions adding £255m to liquidity, a fall in the note circulation of £520m and bank balances above target of £85m.

In New York the US Federal Reserve drained money from the banking system through the Prime Minister, over economic policy, did little to restore confidence.

The market concentrated on the weakness of sterling and the continued failure of high UK interest rates to stem demand for consumer goods,

UK clearing bank have leading rate 14 per cent from May 24

, many of which are imported and will not help reduce the size of the UK trade deficit. According to figures released yesterday, retail sales in May were around four times higher than expected and daspite soothing words from the Trea-sury, that the Government has not altered its view that retail sales growth has slowed, the financial markets remained

verv nervõus. As the pound fell, threemonth sterling interbank rose to 141-14% per cent from 14%-14 per cent, on fears of another risa in bank base rates. Dealers suggested that news later this week on UK average earnings and retail

prices could provide the trigger Day-to-day credit conditions remained very comfortable in London. The Bank of England initially forecast a surplus of around £200m, but revised this from the market.

July last year, the close on Fri-day was DM3.1125. It was unchanged against the yen at Y227.00 but slipped elsewhere to FFr10.4650 from FFr10.5500 and SFr2.6775 compared with SF12.7050. The dollar continued the

firmer trend started on Friday after a sharp rise in US May producer prices dispelled any notion of a further easing in US monetary policy for the time being. It broke through resistance at DM2.0240 which prompted further heavy buying an extender and the prompted further heavy buying as stop-loss orders were trig-gered. The US unit touched a high of DM2.0370 before finally running out of steam. Some investors were content to take profits at the higher levels, and

the loss of momentum was

exploited by the US Federal Reserve and the Bank of Can-ada which both sold dollars in the afternoon.

consequently, the dollar came back to finish at DM2.0250, although this was still well from DM2.0015 on Friday and represented its best closing level since November 1006 Aminet the can it man at the control of the co 1986. Against the yen, it rose to Y148.80 from Y146.05 and finished elsewhere at SFr1.7550 from SFr1.7400 and FFr6.8600 compared with FFr6.7850. On Bank of England figures, the dollar's exchange rate index rose from 73.1 to 73.9.

The D-Mark lost ground against the French franc and closed at FFr3.3877 from FFra.3900 on Friday, However, it continued to improve against the Japanese yen, breaking through Y73.00 to finish at Y73.48, up from Y72.94. The yen continues to suffer from investor fears about the continues to suffer from investor fears about the continues to suffer from investor fears about the continues to the tinuing political scandal in

		çentr rate	ad s	against Er June 12	•	central rate		HEAGEN NO.	(fee	*(%
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EMS EUROPEAN CURRENCY UNIT RATES

Eco Currency % change % change Divergence

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Jane 12	Day's spread	Clast	One month	% p.a.	Three months	7. p.a.
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	- Shore	7.5		7.		
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erling	124-1212	13-127	157-134	144-14	144-144	142-14
g. Dollar	121-125	121, 121	124-124	124-114	115.115	11, 10
Guilder	7-7	73.77	発発	72.72	76:36	74-73
Franc	64-64	66-64	63-64	7-67	7.7	71,75
las Lire	11.9	125-11	125-113	124-114	124-114	35.7
Fr. (Fla) Fr. (Con.)	84-84	86 St	817-81	814-812	81-84	B12-81
	54-42	54-5	54.54	52.52	51.51	54-54
Krone	8%-8%	87.87	84-84	37.27	91, 91	93.95

y UK and leskand are quoted in US convency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible proces. Financial franc 42-51-42-60.

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EXCHANGE CROSS RATES										
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F Fr. 5 Fr.	0.955 0.373	1.457 0.570	292 1154	216.8 84.76	10. 3.910	2.558 1	3,322 1,299	2132	1.756	6L84 24.28
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C\$	0.544 1.544	0.830	1.680	123.4	5.693	1.456	1.891	1214	1 2 pen	35.21

FT LC	NDON INT	ERBANK F	XING
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bid 94	offer 92	bld B%	after 9

PHG 25	offer 94	bld B%	offer 9
te fixing rates are the aritis	emptic mesos rounded to the	acarest one-sixteenth, of the b	id and offered rates for S
ank, Bank of Tokyo, Deut	sche Bank, Banque Nation	acarest one-sixteenth, of the b .m. each working day. The bar al de Paris and Morgan Guan	nts are national westing any Trest.
	MONEY	DATES	

		IONE	/ RAT	E\$			
NEW YORK Treasury &ills and Bonds							
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	LONDON MONEY RATES							
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cal Authority Bonds .	1 1		-	l . <u></u> .		_		
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nk Bills (Buy)	1:1	- :	7342	135	137 146 8.95 692	_		
ne Trada Bilis (Bay)		-	159	125	141	_		
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U Linked Dep Bid	4 - I	-	813 813 813	812 814 91	69	84 98 98		
			RQ	E31	762	715		

Strong sales push prices lower

comfort, as far as the Govern-

ment is concerned, and creat-ing the impression that a fur-ther rise in base rates can not

As the pound fell to its low-

est level for over two years against the dollar, sterling

interest rate contracts weak-

ened on Liffe. September deliv-

be excluded.

traders shortening positions ahead of the news on retail sales. The opening level was

sales. The opening level was slightly above technical support at 85.75, but with the economy apparently still very strong, at least at high street level, this was not a support point that was likely to hold.

The September short sterling contract fell sharply to a low of

contract less snarpy to a low or 85.59, after publication of the retail sales figures, before ral-lying a little to close at 85.62 compared with 85.92 on Friday.

LIFFE SHORT STEELING

NERVOUSNESS ABOUT the stronger than expected, sug-UK economic situation and the vulnerability of sterling to bad dence remains too high for news encouraged traders to be short of sterling based interest rate contracts ahead of yesterday's figures on May UK retail sales. Financial markets are making a close examination of the economy at present, amid rumours of disagreements within the Government on pol-

FINANCIAL FUTURES

icy. ened on Liffe. September deiry-The sales data were much ery short sterling opened next

etimated volume total, Calls () i revious day's open lot. Calls 20

LONDON (LIFFE)

26-YEAR 9% NOTIONAL CR.T 558,000 32mb of 100%

7-10 YEAR 9% INTERNAL CTL 654,000 32mb of 100%

Estinated Volume 0 (0) Previous day's open lot. 0 (0)

S TREASURY BONES 8% 100,000 32mb of 100%

Estimated Volume 7785 (7040) Previous day's open Int., 6696 IS263

Estimated Volume 543 (1113) Previous day's Open Int. 966 (995)

91-14 91-27 92-12 92-28

97-08 96-28 96-06 97-16 96-16 96-04 95-31

Close High Low Pres. 103.29 103.33 103.20 103.31 102.59 102.78 102.65 102.69

High 90.87 91.46 91.59

(les. figs. not shown) 8226 (12313) top's open int. 65102 (64478)

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1-preh. 3-preh. 6-preh. 12-preh. 1-5201 1-5135 1-4871 1-4650

Latest High 15278 15324 15082 15334 14900 1,4970

Close 90,84 91,38 91,52

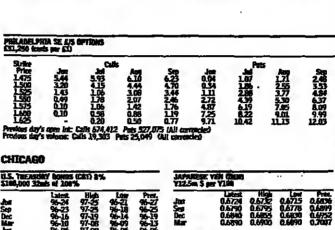
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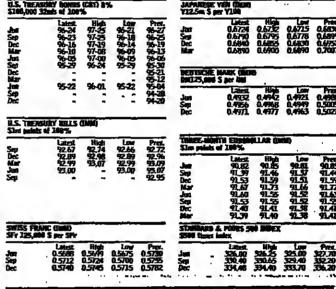
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	vous and week at 85.78, with
LIFFY LING GET FUTURES OFTERS	•
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LUFFE SJS OFFTINKS E25,000 (ceds per SI)	
Strike Caffo-estifements Pats-settlements Price Jun Jul Jun Jel	LIFFE EUROCULIAR OFTIONS Sim points of 100%
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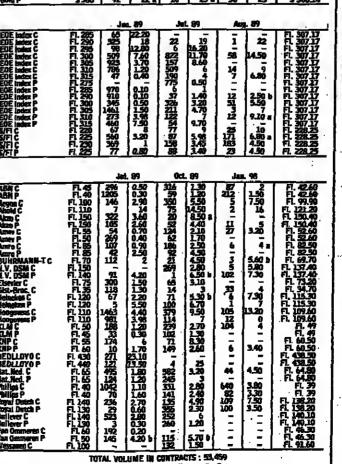




BASE LENDING RATES Comma Ble M. East.

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otherity Bank		Dagcae Lawrie	14	Radurghe Grantes 142
& C Merchant Bank		Equatorial Bank pic	14	Royal Bk of Scotland 14
Bank of Barota		Exeter Trest Ltd		Boyal Trust Bank
Sauco Bilbao Vizzaja		Financial & Gen. Bank		 Smith & Wiltimor Secs 14
Sank Haposition		First Hatlonal Back Pic.	15	Standard Chartered 14
Sank Credit & Comm		Robert Floring & Co		TS814
Sank of Capatis		Robert Fraser & Pines.		United Bit of Kowalt 14
bank of Ireland		Girobant		United Mikrahi Back 14
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COMPANY NOTICES

RAND MINES GROUP

Blyvooruitzicht Gold Mining Company Limited (Incorporated in the Republic of South Africa) Company Registration Number 05/09743/06

Passing of Dividend No. 87

The Board of Directors has decided not to declare a final dividend for the year ending 30th June 1989.

Registered office 15th Floor The Corner House 83 Fox Street (PO Box 62370,

12 June 1999

OF JUSTICE

Recretation in the United Magdem Visited Corporate Services Latified 40 Hollock Visited Landon ECIP IA

IN THE HIGH COURT

CHANCERY DIVISION IN THE MATTER of PEARSON pic

IN THE MATTER OF THE COMPANIES ACT 1965

NOTICE IS HEREBY GIVEN that a Petition was on the 18th day of May 1888 presented to her Majesty's High Court of Justice for the

est of the said Co NOTICE IS FURTHER GIVEN that the tion is directed to be been before conside Mr Jostice Peter Gillson at al Courts of Justice, Strand, London LL on Monday the 25th day of June

NESHRIELDS (BYT/GPC2/ZEnosi.)

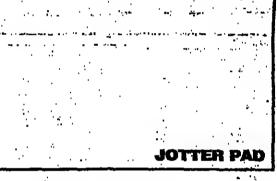
PERSONAL

HOSPITALITY PACKAGES

ART GALLERIES

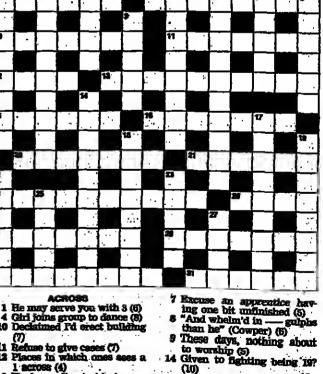
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ACROSS He may serve you with 3 (6)

(7)
11 Refuse to give cases (7)
12 Piaces in which ones sees a
1 across (4)
13 Having a direct object passing over (10)
15 Way to a meeting place (6)
16 Defame one living in Sark? Not II (7)
20 A trot led back to castle in

Sussex (7)
21 Old carriage provided by
American composer (6)
24 Royal member goes to shopping centre in Devon (10)
25 Ella followed by Pat (4)
26 Woman dector you are

28 Woman doctor you are heard to charm (?). 29 Emporiums accept I make up yarns (?) 30 Consider rest annoyed judge

31 Doesn't alter in Belgium (6)

DOWN

I I am able to follow witty remark at watchtower (8)

He is always telling 29 (9)

Drink in a still mom (4)

Possibly the earliest lyre and played with passion! (8)

One who provides lots of interest (16)

18 Not a tear living like this:
(4-4)
19 Furious with change of scene in state (8)
22 Ted showing signs of middle age? (6)
23 Heavy blow in class was harmal (5)
25 One to assess 19 (5)
27 Worries boxers? (4)
Solution to Fuzzle No.6.957

(10) 17 Poor Len eating sweet brief

(9) 18 Not a tear living like this!

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WORLD STOCK MARKETS

WORLD STOCK MARKETS										
AUSTRIA PRANCE (continue) CERNARY (continue) ITALY (continued) SWEETH June 12 Pri. + w - June 12 Pri. + w - June 12 June 12 Kroner + or -	CANADA									
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It's attention to detail

Main indices hit by profit-taking

Wall Street

THE KEY stock market indices all fell in early trading as prof-it-taking emerged in reaction to last week's strong takeoverrelated gains, writes Janet Bush in New York.

At 2pm, the Dow Jones Industrial Average was qooted 11.74 lower at 2,501.68 on relatively active volume of 96m

Among other indices, the broader Standard & Poor's 500 index was quoted 1.83 points lower to stand at 324.86 at midssion. The American Stock Exchange Index, which hit an all-time high last week, dropped 1.04 points to 365.12 and the Nasdaq Composite Index, which last week came within a whisker of its all-time high, dipped 1.12 points to

The profit-taking came in spite of further gains at the long end of the bond market and a steady dollar. Although bonds and the dollar experienced some profit-taking after very strong overnight levels in the Far East, both markets

The yield on the Treasury's benchmark long bond fell to 8.1 per cent and the dollar was quoted firm at Y148.75 and

On the positive side of the argument for stocks is the fact that the rally in first tier issues has been accompanied, and indeed outstripped, hy price gains in secondary issues. This lends a strong technical tone to large capitalisation issues traded on the New York Stock Exchange.

However, there are some reasons to be cautious. Firstly, it has clearly been the Treasury bond market which has benefited from a strong dollar, which has encouraged overseas investment. The stock market has not seen the substantial foreign investment inflows which bonds have enjoyed over the past week.

Secondly, the market had already built into prices expectations that the Fed would ease. The drop last week of about % point in the Fed Funds rate was not enough to give the market an additional boost and few traders and investors expect another eas-

Last Friday, the stock market was unable to shrug off as easily as the bond market news of a 0.9 per cent rise in the May Producer Prices Index.

A third reason for caution in the market is that evidence of broadly decelerating econ-

omy coupled with a strong dollar must at some stage start to lower expectations for corpo-

Economic data due this week should, on balance, be positive for markets. Today, retail sales are expected to have risen by 0.1 per cent in May compared with the gain of 0.4 per cent. On Thursday, the monthly merchandise trade deficit is expected to have nar-rowed to about \$8bn in April compared with March's \$8.9bn

Consumer prices on Friday are expected to have risen by 0.5 per cent in May compared with April's gain of 0.7 per cent. After Friday's PPI report, this has probably already been

Among featured stocks yes-terday was Control Data which added \$% to \$21% after the company said it was selling Imprimis Technology to Seagate Technology for about \$450m in cash and secu-rities. Seagate added \$% to \$14% in over-the-counter trad-

Tenneco added \$\% to \$55\% after the company said that its automotive subsidiary planned to sell its retail division as part a restructuring. Money centre banks were generally weak after US regulators told them to write down the value of their medium and long-term loans to Argentina by 20 per cent.

Citicorp dropped \$1% to 2%, Bankers Trust New York fell \$1% to \$48% and Manufac turers Hanover declined by \$%

Time Inc added \$1% to \$171% in continued buying on the prospect of a flerce take-over battle by Paramount, seeking control of the company in spite of an earlier agree for Time to merge with Warner Communications. Paramount fell \$1% to \$57% and Warner declined \$1% to \$54%.

Canada

VOLUME of trade was moderate in the absence of any market news, with stocks steady at

The market appeared to be consolidating its position after the strong rise last week and the correction that followed on

The composite index fell 0.9 to 3,801.5 with declines leading advances 261 to 179 on a volume of 11.79m shares.

BCE Inc was up C\$% at C\$40 nd Canadian Pacific rose C\$% to C\$23% but Nova lost C\$% to C\$10% and Alcan Aluminium vas down CS% at C\$27.

Europe beats the China syndrome

the slump in the Hong Kong stock market, equities in much of the rest of the world had a reasonable run last week

While the Asian region was volatile, Europe was enjoying a wave of optimism about the old bugbear of interest rates and the US and UK were focusing on the Federal Reserve's easier monetary policy and a spate of takeover stories.

Hong Kong, the week's largest mover, lost 16.1 per cent altogether. The fall came all in

By Alison Maitland

one day, when the market plunged 22 per cent last Monday in response to the bloody troop crackdown on civilians in Peking the previous week-

On each of the subsequent three trading days - the mar-ket was closed for a holiday on Thorsday - bargain hunters Thirsday — bargain hunters pushed shares up again. Yet at the close last Friday — before yesterday's 7.6 per cent recovery — Hong Kong had lost 33 per cent in four weeks and was 16 per cent below its level at the start of the warr.

the start of the year. The tension in the region sent some other markets down sharply, with Singapore and Malaysia tumbling more than 5 per cent each in spite of a rehound at the end of the week. But Australia and New Zealand were kept bubbling by takeover news, and the latter

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swiftly recovered from the revelation of heavy losses at Bank of New Zealand to end the week with a 1.5 per cent gain. Meanwhile Japan had a dull week, ending barely changed in woefully thin turnover after

weakness of the yen and the outlook for the ruling Liberal Democratic Party. In spite of this non-contribu-tion from Japan, the FT-Actu-aries World index managed a

0.4 per cent rise on the we

with renewed jitters over the

helped notably by gains in the UK, up 1.7 per cent, Canada, 1.9 per cent higher, and the US, which rose 0.4 per cent. The UK market, which had dropped 1.5 per cent the presides week. 1.8 per cent the previous week, regained some confidence from strong corporate results and bid news before faltering at the end of the week on worries over the rise in US producer price inflation. US share prices showed little reaction to Friday's figures.

but earlier in the week the market had been buoyed by growing hopes for an economic soft landing and by takeover activity in the communications sector. Canada, meanwhile, had the additional benefit of strong gold shares, helped by a rise in bullion prices triggered by the violence in China, South Africa also had a strong week, rising 5.1 per cent as gold chares responded eagerly to the pick-up in bul-

In Europe, Switzerland was again the strongest performer, climbing 3.9 per cent as a more stable franc restored confidence and foreign investors continued to show fresh inter-

Italy came next with a 3.4 per cent rise, led to new post-crash highs by a rally in blue chips and overseas buying. The week's worst showing in Europe was by Norway, which fell 2 per cent in line with a drop in oil prices following the

Interest rate nervousness returns to haunt trading

THE mood in Europe was more cautious yesterday, as the dol-lar renewed its surge and the spectre of higher interest rates returned. Milan and Madrid made good gains, however, writes Our Markets Staff. FRANKFURT ran into the

ground after its two-week rally, ending steady. The strength of Friday's US producer price fig-ures raised doubts about any further easing of interest rates in the US and turned attention to Thursday's meeting of the Bundesbank council and the question of a possible rise in

German rates.
The dollar's rise above DM2.03 added to nervousness but analysts did not detect any significant change in the fundamentally positive mood. The FAZ index edged down 0.79 to 600.12 and the DAX closed 0.62 easier at 1,436.67 in active trading of DM5.3bn.

Chemicals and car stocks strong dollar. Bayer was the most actively traded stock and rose 70 pfg to DM312.50, while VW rose DM2.50 to DM416.50 in the second most active trading.

Munich Re was popular
among insurance stocks, gain-

ing DM100 to DM2,270 after weekend press reports about ulation about a restructuring. PARIS had a quieter day, with volume estimated between FFr1.5bn and FFr2bn.

at a rally but fell as Wall Street opened lower.
The OMF 50 index eased 2.38 to 501.17 and the CAC 40 fell 7.26 to 1,751.04. The opening

CAC General was off 1.6 at

Matra climbed to a high of FFr363 following France's deal to supply weapons to Saudi Arabia. But the stock later eased back to close FFr3.50 higher at FFr344, and analysts said the news had been largely

discounted already.
Food group BSN lost FFr16
to FFr654 as short term worries over a possible equity issue to pay for Nabisco's European

atest prices were unavailable for this edition.

CGE was up FFr4 at FFr461 after the COB regulatory authority expressed disquiet at the company's plan to limit voting rights to 8 per cent of

the total capital. Senate approval of a bill to end the system of autocontrole through which companies hold their own shares to prevent hostile takeovers was wel-comed by some as "excellent news for the market." Midi, which holds a substantial por-tion of its capital in this way, rose FFr18 to FFr1,373 amid speculation it might be forced to place it in friendly hands.

MILAN closed higher for the seventh consecutive session, buoyed by a rally in Fiat. "Foreigners are starting to come into the market a bit more and there's a feeling the interest rate situation is much hap-

r," an analyst said. The Comit index rose 1.67 to ost-crash high of 631.60. with Fiat rising L85 to a post-close 19,880 after slipping in early trading. Volume was estimated at a provisional L225bn, down from Friday's L271bn. Blue chips were generally firmer, although Montedison slipped L15 to L2.195.

MADRID rose to a new high

for the year, led by big gains in stocks sensitive to the strong dollar. The general index was up 1.67 to 316.14.

This rise was due to the strong showing by Endesa, Telefonica and Repsol – all traded in New York — but also reflected a positive underlying reflected a positive underlying tone. One analyst described the bourse's advance as the result of "a bout of buy mania." He said: "People have caught the buy bug. They seem to have shaken off their worries in the

ZURICH finished mixed in poor turnover as worries over higher interest rates and the strong dollar weighed on the market. The Crédit Suisse rose 1.9 to 595.2.

Blue chips generally eased on profit-taking hut some shares recovered slightly on

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levels. "The day was quiet. People seem to be slightly concerned about the dollar after the market's very good run,"

said an analyst.

AMSTERDAM ended a dull, thin day mainly steady, after slipping from earlier highs on a lower Wall street opening. A technical fault with the price board hindered trading activity

for most of the day.
Blue chips ended steady to firmer, with the CBS tendency index up 0.5 to 186.7.

Hoogovens continued its surge, adding FI1 to FI109.90 on strong demand in the buoy-ant steel sector. Paper com-pany KNP, which starts trad-ing today in Frankfurt, gained 70 cents to F161.40 on demand from two large buyers.
COPENHAGEN reached a

new high on strong foreign interest and the index rose 3.25 to 319.40. The dollar boosted STOCKHOLM was largely unchanged after recovering from early losses. The Affarsvärlden General Index closed

up 1.5 at 1,194.2. Saab-Scania free B fell SKr1 to SKr245 before news of the company's poor results for the first four months of this year, announced after the market closed. Ericsson free B rose SKr3 to SKr530 on US interest. OSLO closed mostly no in moderate trade, with little to affect the market. The all-share

index added 5.98 to 484.04. BRUSSELS ended barely changed, with the focus on selective issues. Acse, the engineering subsidiary of Société Générals de Belgique, jumped FFr26 to FFr487 on talk it would take over Union Minière, SGB's non-ferrous metals grouping.

SOUTH AFRICA

GOLD share prices closed down sharply in Johannesburg yesterday but off their day's lows after a mild rally in the bullion price.

ASIA PACIFIC

Japan falls but Hong Kong regains ground

Tokyo

THE YEN'S sharp drop against the dollar discouraged an already sluggish market and share prices took a plunge in extremely thin trading, writes Michiyo Nakumoto in Tokyo.

The Nikkei average began the day weaker and took a 220-point fall in the first 15 minutes of trading. Signs of a recovery later in the day could not be sustained and the Nikkei closed down a hefty 241.97

at 33,398.01. The day's high was 33,614.69 while the low was 33,315.20. Declines more than doubled advances at 640 to 262 while 176 issues were unchanged. Turnover shrivelled to 343m shares from Friday's 520m. The Topix index of all listed shares lost 19.65 to 2,488.76, and in London the ISE/Nikkei 50 index shed 8.27 to 1,975.09.

Many analysts had been predicting continuing strength for the dollar, so the yen's fall yesas too much of a surprise. Nevas to much or a surprise. Nev-ertheless, yesterday witnessed the so-called "triple fail" of the yen, bonds and equities as the dollar's march up to the Y150 level dealt investors a heavy

psychological blow. Not everyone was gloomy, however. "Investors in Japan aren't so worried about the overall market," said Mr James B. Russell of Merrill Lynch Japan. Tokyo's weakness, said Mr Russell, stemmed more from a lack of interest than from any serious pullont. Investors were not paying much attention to the market, as the level of volume showed and were inclined to wait for direction from trends in other markets. Turnover yesterday was the lowest since Septem-

ber last year. Institutional investors were said to be practically absent from the markst yesterday. Institutions have been increasing their investments in US equities and a daily newspaper reported that Metil Mutual Life Insurance, for example, was allocating most of its specified money trust funds worth

Y36bn to US shares. The dollar's strength trig-gered interest once more in export-oriented high-technology issues, particularly electri-cals. Sony climbed Y270 to Y7,940 while TDK advanced

Y300 to Y5,500. Investors in Osaka turned away from large capitalisation issues. The OSE average declined 209.67 to 32,591.62 while volume fell even further to 36m shares from the already low 48m traded on Friday.

CONFIDENCE appeared to be creeping back in Asia Pacific markets which recorded healthy advances, led by Hong Kong's firm rebound. HONG KONG climbed steeply as some investors took the view that a measure of sta-bility had returned to China, at least in the short term.

The Hang Seng index jumped 171.1, or 7.58 per cent, to close at 2,439.48. Following the rally last week and yester-day, the index is now 26 per cent below its level of 3,277.66 on May 18 before the turnoil in China sent stocks plunging. Trading was heavy with HK\$2.24bn worth of shares changing hands compared with

Friday's HK\$1.80bn, Strong buying interest was focused on blue chips. Hutchi-

son added 80 cents to HK\$8.40,

while Cheung Kong gained 75 cents to HK\$7.90. "Europeans have been consistent buyers of blue chip

shares in the last few days while the local traders' interest remains in the highly specula-tive second and third line issues," said a regional analyst. "At the moment Singapore is seeing quite a lot of institutional money moving in because investors feel there is a longer term future there. Many people feel that Hong Kong is very fragile at its cur-rent levels," he added. SINGAPORE was pushed

ahead by strong buying interest and bargain hunting by

helped by Hong Kong's

largest one-day rise this year. The index climbed 35.27 points to close at 1.276.49 in active trading. Turnover rose to 86m compared with Friday's TAIWAN advanced for the fourth consecutive trading ses-

rebound. The Straits Times

industrial index recorded its

sion as the market extended its technical recovery after a 894-point fall in the weighted index last Monday and Tuesday. The index added 273.89 to 9,467.84. SEOUL rose sharply, pursuing its recovery from falls related to the crisis in China. The composite index was up 9.34 at 920.48. The Australian market was closed for a holiday.

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NATIONAL AND REGIONAL MARKETS	FREDAY JUNE 9 1989					THURSDAY JUNE \$ 1900			DOLLAR MOEX			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Coller Index	Pound Sterling Index	Local Currency Index	1969 High	1989 Low	Year ago (approx)
Australia (86)	130.89	-1.0	124.80	116.70	-0.1	5.04	132,16	124.57	116.87	157.12	128.28	144.39
Austria (19)	119.68	-0.7	114.11	124.65	+0.6	2.10	120.58	113.65	123.88	124.18	92.84	87.59
Belgium (63)	127.08	- 1.2	121.18	131.94	+0.2	4.18	128.68	121.29	131.70	137-10	126.33	124.68
Canada (124)	141.7Q	-0.1	135.10	123.07	+0.1	3.32	141.80	133.65	122.95	141.80	124.67	125.02
Denmark (38)	181.72	+0.0	173.26	192.80	+ 1.3	1.74	181.81	171.36	190.46	161.81	165.35	132.72
Finiand (26)	142.39	- 1.1	135.76	132.38	-0.7	1.58	143.96	135.70	133.28	159.16	125.81	138.32
France (128)	118.34	-1.2	112.83	125.95	-0.1	3.01	119.82	112.93	126.11	122.79	112.57	99.62
West Germany (100)	84.69	-1.2	80.75	88.13	+0.0	2.31	85.78	80.83	88.16	90.40	79.58	78.10
Hong Kong (49)	94.09	+22	89.71	94.17	+22	5.73	92.09	86.80	92.16	140.33	86.41	106.35
Ireland (17)	133.94	-21	127.71	141.48	-0.8	2.98	136.77	128.91	142.60	151.36	125.00	138.05
Italy (97)	78.97	+1.0	75.29	85.69	+1.8	2.58	78.16	73.69	84.20	86.88	74.97	71.32
Japan (455)	172.72	- 1.8	164.68	159.45	-0.1	0.50	176.14	166.01	159.80	200.11	172.72	174.43
Malaysia (36)	174.86	+22	186.72	182.27	+2.5	2.63	171.05	161.22	177.63	185.03	143.35	143.52
Mexico (13)	228.24	+ 0.9	217.62	616,26	+1.0	0.81	226.26	213.26	612.27	230.30	153.32	167.64
Netherland (42)	115.48	- 1.3	110.11	116.94	+0.0	4.33	116.96	110.26	118.93	122.22	110.63	107.98
New Zealand (24)	64.23	-0.5	61.24	60.03	+0.1	6.19	64,55	60.84	60.00	76.02	63.22	82.24
Norway (26)	170.39	-0.6	162.45	167.49	+0.4	1.59	171.40	161.55	166.75	198.39	139,92	127.20
Singapore (26)	153, 19	+21	146.06	137.80	+24	2.01	150.04	141.41	134.62	161.96	124.57	119.83
South Africa (60)	138.86	- 1.0	132.39	126.73	8.0	4.17	140.27	132.21	127.76	144.86	115.35	134.93
Spain (43)	145.48	-0.2	138.71	142.83	+0.5	3.53	145.72	137,34	142.18	156.17	143.14	183.48
Sweden (35)	157.69	-0.8	150.35	157.40	- +03	2.18	159.01	149.87	156.89	162.00	138.45	123.84
Switzerland (57)	75.38	0.2	71.87	61.32	+1.4	2.50	75.52	71,16	80.18	79.76	67.81	60.95
United Kingdom (314)	138.12	- 1.2	131.69	131.69	-0.1	4.41	139.79	131.76	191.78	153.33	134.53	139.71
USA (557)	133.28	+0.0	127-07	133.28	+0.0	3.36	138.30	125.84	133.30	133.36	112.13	110.43
								160.04				
Europe (1005)	115.00	-1.0	109.64	115.82	+0.2	3.56	116.10	109,43	115.11	121.70	112.65	110.82
Nordic (125)	152.56	-0.6	145.48	149.42	+ 0.6	1.91	153.42	144,60	148.58	155.61	137,95	118.95
Pacific Basin (676)	168.18	1.8	160.35	155.40	+0.0	0.73	171.31	181.46	155.47	194.72	168,16	170.56
Euro — Pacific (1681)	145.97	1.5	140.16	139.36	+0.0	1.63	149.28	140.70	139.32	164.22	146.97	146.68
North America (881)	133.69	+0.0	127.4 6	132.85	+0.0	3.35	133.71	126.08	132.86	133.73	112.79	111.20
Europe Ex. UK (691)	100.40	O.B	95.73	105.19	+0.4	291	101.17	95.36	104.80	105.29	96.30	92.89
Pacific Ex. Japan (221)	113.89	+0.3	108.58	104.90	÷üä	4.97	113.56	107.04	104.07	137,65	111,93	123.91
World Ex. US (1878)	146.76	-1.5	139.93	138.88	+0.0	1.71	148.98	140.42	138.85	162.77	146.76	145.83
World Ex. UK (2121)	141.27	- 1.0	134.69	137.50	÷0.0	2.07	142.66	134.48	137.48	146.04	138.06	131.42
World Ex. So. At. (2375)	140.99	- 1.G	134.42	137.02	+0.0	2.26	142.40	134.22	137.00	146.65	138.82	132.12
World Ex. Japan (1980)	126.04	-0.3	120.17	125.47	+0.1	3.49	126,46	119.19	125.37	126.50	114.51	111.86
The World Index (2435)	140.97	-1.0	134.41	136.95	+0.0	2.27	142.39	134-20	136.94	146.51	138.83	132.15
ting stoller maon (E-ma)til								10-120	100.47	1-100	,	104-10

FT-ACTUARIES WORLD INDICES

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